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U.S. organised labour in retreat, Page 5

World news | Business summary

FBI foils Sikh plot to kill Gandhi

The U.S. Federal Bureau of Investigation said it thwarted a plot by Indian Sikh extremists to assassinate Indian Prime Minister Rajiv Gandhi during his visit to the U.S. next month.

The FBI said that a group of Sikhs were also plotting the assassination of Chief Minister Bhajan Lal of the Indian state of Haryana and planning guerrilla-type operations against the Indian Government.

FBI director William Webster said agents discovered the plot while the Sikhs were in the middle of a training programme on the use of weapons and explosives.

India tightens laws

Prime Minister Rajiv Gandhi said there was a foreign link to a Sikh extremist bomb campaign and announced plans for tougher anti-terrorist laws. Page 4

Giscard book move

Former French President Valery Giscard d'Estaing is taking legal action to halt the publication of the memoirs of the deposed Central African Emperor Jean-Bedel Bokassa. Giscard's lawyer said the book contained "extravagant, mad and even grotesque" passages.

Uganda attack

Ugandan Internal Affairs Minister John Luwuliza-Kirunda escaped unhurt, but eight people were seriously injured when two hand grenades were thrown at him as he left his office in Kampala.

Dutch guard Pope

Dutch police launched their largest peacetime security operation to protect Pope John Paul, who has been the target of harsh criticism and street protests during his tour of the Netherlands. Page 2

Nigeria escape

Tens of thousands of illegal immigrants, many of them Ghanaians ordered to leave Nigeria, broke loose from a transit camp and headed for the Nigeria-Benin border. Page 4

Solidarity trial

Three leading Solidarity activists accused of planning a general strike in Poland will be tried this month on charges carrying up to five years imprisonment.

Spanish strike

About 70,000 Spanish private school teachers began a two-day strike over wages, closing classrooms to about 1.5m students.

Bitburg impact

Thousands of Americans have cancelled holidays in West Germany after President Ronald Reagan's controversial visit to Bitburg war cemetery.

School bombed

A bomb tore through the gates of a Kanak school in Noumea, the capital of French New Caledonia, injuring four people and damaging surrounding apartment blocks.

Rocket hits courts

A rocket hit Lebanon's central law courts on Beirut'a green line, starting a fire which destroyed all its legal records.

S Africa funeral

Thousands of black trade unionists from the Transvaal are expected to attend the funeral today of Mr Andries Raditsela, the union organiser who died shortly after his release from police custody. Page 4

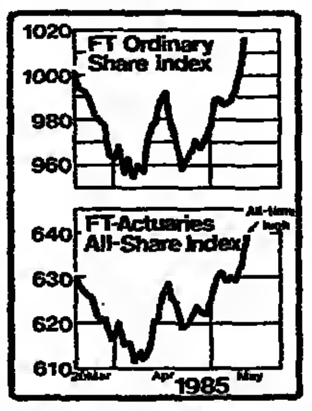
Fighting matadors

Two of Spain's top bullfighters created uproar in Valencia by fighting each other instead of a bull.

BAe share offer in high demand

BRITISH AEROSPACE shares rose on the London stock market after news that the UK Governmeot's £550m ($682m) share offer was oversubscribed by about 4½ times. Page 26

WALL STREET: Tha 3pm the Dow Jones industrial average closed up 3.32 at 1277.5. Section III



LONDON equities moved confidently forward. The FT Ordinary index firmed 15.0 to 1,016.9. Gilts continued to improve. Section III

TOKYO: stocks closed marginally ahead despite late selling. The Nikkei-Dow average closed up 14.22 at 12,541.53. Section III

DOLLAR was weaker in nervous London trading, falling to DM 3.0725 (DM 3.1185), FFr 9.37 (FFr 9.51), SwFr 2.5825 (SwFr 2.6295) and Y251.3 (Y252.50). On Bank of England figures the dollar's index fell to 145.9 from 146.9. Page 49

STERLING gained 2 cents against the dollar in London to finish at $1.254. It also rose to Y315.0 (Y312.0), was unchanged at DM 3.8525 and FFr 11.74 and fell to SwFr 3.24 (SwFr 3.25). The pound's exchange rate index rose 0.5 to 78.6. Page 49

GOLD gained $7.75 on the London bullion market to close at $322.25. It was also higher in Zurich at $331.05. In New York the Comex June Settlement was $326.35. Page 48

ISRAEL'S foreign debt, highest per capita in the world, rose by $560m to $23.39bn last year, Bank of Israel said.

THREE BANKS in the United Arab Emirates: National Bank of Abu Dhabi, Bank of Oman and Middle East Bank; all announced lower profits for 1984, with two also showing reductions in assets. Page 29

GENERAL ELECTRIC of the U.S. was fined $1.04m and ordered to pay back $800,000 in overpayments by a Philadelphia court after pleading guilty to defrauding the U.S. Air Force on a missile contract.

MALAYSIAN finance and property group MBF Holdings is offering shares worth 250m ringgit ($104m) in bids for Emtex, a textiles, property and plantations group, and a 20-storey office block in Kuala Lumpur. Page 29

UNILEVER, Anglo-Dutch foods and consumer products group, increased first-quarter profits to £218m ($268m) from £193m. Lex, Page 26; details, Page 31

BOC, UK-based health care and industrial gases group, increased its taxable profits by £19.2m to £78.7m ($96.8m) in the first half of its 1984–85 financial year. Page 30

MICHELIN of France, the world's second biggest tyre producer, achieved reduced losses of FFr 1.53bn ($161m) at its main French operating company against FFr 3.8bn in 1983. Page 27

ATLAS-COPCO, Swedish compressors and mining equipment manufacturer, showed continued strong growth in the first quarter, pushing earnings after financial costs up 40 per cent to SKr 202m ($22.3m). Page 27

Some unit trust prices in this edition have not been updated because of technical problems.

Stockholm raises key rates to stem outflow of capital

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE SWEDISH central bank was forced to raise its key interest rates sharply yesterday as part of a package of crisis measures.

Faced with rapidly rising private consumption and a worrying deterioration in the current account, the central bank and the Government acted to stem the drastic increase in the outflow of capital.

The discount rate was raised from 9.5 per cent to 11.5 per cent with effect from today – its highest level since late 1981 – and the so-called penalty rate for bank borrowing from the Riksbank above a certain level will jump to 16 per cent from 13.5 per cent.

The unpopular measures have been forced on Sweden's minority Social Democratic Government only four months before the general election, and in the midst of the country's biggest ever industrial sector dispute.

The capital outflow has been building up for several months, with a deteriorating current account, and is rooted in the Government's inability to bring down inflationary expectations and deal with a rising wave of imports. The strike and lockout of nearly 70,000 civil servants, which is badly hampering Sweden's foreign trade, has been a further blow to confidence and has required new measures to shore up the krona.

The Governmeot tightened hire-purchase and credit card controls, reintroduced tough payment conditions for car purchases and announced plans for raising car taxes and taxes on property income. It also plans to draw in an extra SKr 2bn ($221m) liquidity from the corporate sector.

The Riksbank announced a series of additional measures to support the higher interest rates including:

- The abolition of central bank guidelines governing average interest rates on bank lending. Banks will be free to set their interest rates.
- Volume of bank lending will be allowed to rise by only 2 per cent this year instead of the 4 per cent announced last year. Lending from finance houses is similarly restricted.

Financial markets blamed the Government for relying too heavily on monetary policy, although the krona did strengthen slightly. "It is unconvincing," said one leading foreign exchange dealer, "the problem is not thet we have too low interest rates but that we have no control of costs."

One bank economist said: "The lack of confidence in the Government's economic policy. does not have to do with the rate of interest, but with too fast cost and price increases, too high taxes and a too large budget deficit. These are largely futile measures in trying to change inflationary expectations."

Mr Ulf Adelsohn, leader of the Conservative Party accused the Government of acting in "blind panic."

Capital outflows have been mounting since late last year as a result of the worsening trade balance, but the outflow turned into a flood last week as confidence in the Swedish currency was hit by the continuing strike of civil servants, Sweden's biggest ever public sector industrial dispute, which is badly hampering trade.

Mr Bengt Dennis, central bank governor, said that up to last Friday SKr 10bn had flowed out of the country since the beginning of the year of which SKr 2.5bn had left Sweden during last week alone.

Only four months away from the general election the Social Democratic Government's economy policy is in considerable disarray. It is still sticking to its plans for an income tax rebate next month – offered as a carrot to the unions in exchange for moderate pay settle-

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Bonn set to block deal on EEC farm prices

BY QUENTIN PEEL IN BRUSSELS

WEST GERMANY was yesterday set to block any deal on EEC farm prices in spite of a significant softening of the European Commission's demand for a cut in cereals prices.

Herr Ignaz Kiechle, the West German Agriculture Minister, who has held out against any such reduction through five successive attempts at agreeing prices this year, insisted that he was "not prepared to be outvoted" by his nine fellow-ministers on any deal that would cut the incomes of West German farmers.

His refusal to shift his position sets the scene for a crucial political clash within the Community, calling into question Bonn's previous determination not to use its unwritten right to veto a decision by citing its "vital national interests" – the so-called " Luxembourg compromise."

Herr Kiechle gave a scathing reception to the European Commission's attempt to propose a final farm price compromise, which would reduce the cereals price cut proposed from 3.6 per cent to around 2 per cent, with marginal further reductions in the course of the year.

The farm ministers were last night waiting to see whether the Italian president of the Farm Council, Sig Filippo Pandolfi, would be persuaded to insist oo a vote, and thereby force West Germany to decide whether to use its veto, or bow to the majority on an unacceptable price package.

Mr Frans Andriessen, the Agriculture Commissioner, presented his compromise plan yesterday on the clear understanding that the council would, if necessary, vote upon it to reach a decision nt its sixth attempt.

Apart from the smaller price reduction for cereals, the Commission also agreed to abandon its demand for a reduction in West Germany's positive monetary compensation amounts (MCAs), thereby allowing German farmers some continued measure of protection against cereal imports from weaker currency countries, such as France.

Herr Kiechle's initial response, however, was to describe the Commission package as "deeply disappointing," accusing the Commission of not attempting to reach a genuine compromise.

However, a repeat of the 1982 farm price decision, when British objections were overcome by majority vote, is unlikely unless Bonn ceases to plead that it is defending vital national interests. A sufficient majority cannot be mustered to overcome the German veto because Britain, Denmark and Greece have said they would not seek to override use of the Luxembourg compromise.

Officials said that, if anything, Herr Kiechle's position had hardened as a result of the mauling received by the Boan ruling coalition in Sunday's regional elections

EEC move on standards, Page 6

Maryland acts on bank crisis

BY PAUL TAYLOR IN NEW YORK

MARYLAND officials, struggling to contain another developing privately insured savings bank crisis, yesterday won court approval to place Old Court Savings and Loan'a day-to-day operations in the hands of a conservator. The action is designed to allow state officials time to find a buyer or merger partner for the ailing savings bank.

The move, which came as depositors again camped out overnight to withdraw their funds, represents the latest efforts by state banking officials to stem a run by depositors on Old Court, the second largest of 102 privately insured savings banks in Maryland, and to prevent the spread of a crisis of investor confidence.

A Baltimore circuit judge named the Maryland Savings Share Insurance Corporation, the locally administered private deposit insurance fund, as conservator for Old Court and agreed to limit each depositor's withdrawals from the troubled savings bank to $1,000 a month.

Mr Paul Volcker, Fed chairman, said yesterday that the central bank would do what it could to ensure the Maryland savings banks' continued stability. "We are lending to those savings and loan institutions and will continue to do so," Mr Volcker said.

The action, urged by the state's savings and loan commissioners, came after Maryland's Governor, Mr Harry Hughes, rushed hack from a Middle East trip. The governor's office said yesterday that the court action was necessary to give Old Court's owners more time to consider proposals for its merger or sale.

The Maryland savings bank problems follow a similar collapse in confidence in Ohio's privately insured thrift institutions, spurred by the failure of Home State Savings of Cincinnati as a result of its dealings with ESM Government Securities, a Florida bond dealer, whose collapse sent shock waves through the U.S. financial system.

The Maryland savings bank problems, however, appear to be unrelated to any specific event. They reflect instead a general nervousness about privately insured financial institutions as well as particular concerns about Old Court, which has grown rapidly in recent years bolstered by an aggressive nationwide marketing campaign. It now has assets of about $840m against $140m three years ago.

Hundreds of depositors began withdrawing funds from the Baltimore-based savings bank's seven offices on Thursday after a management shake-up at Old Court and rumours of a pending investigation by the state attorney general into alleged conflicts of interest at the banking group.

Rau's big win puts him on course to lead SPD

By Rupert Cornwell in Bonn

HERR Johannes Rau, the Prime Minister of North Rhine Westphalia and architect of Sunday's crushing Social Democrat (SPD) victory in the state, yesterday emerged as favourite for nomination as his party's candidate for Chancellor nt the next federal elections in February 1987.

The choice will not be made, SPD officials emphasise, before the end of this year. But the 54year-old Herr Rau has already received what some see as an endorsement from Herr Willy Brandt, the SPD president and himself West German Chancellor between 1969 and 1974.

The North Rhine-Westphalia election delivered many lessons, writes Rupert Cornwell. The long-term survival of the liberal Free Democrats seems assured; the Greens appear to have peaked; the Social Democrats have a real chance of victory in 1987 – but for Chancellor Helmut Kohl and his Christian Democrats, the state poll was an unmitigated disaster. Analysis, Page 3

In a radio interview yesterday, Herr Brandt described the North Rhine Westphalia Premier as "highly qualified" both to run for the Chancellorship and to take over from himself as party leader "when I can't do it any more."

Herr Rau himself has stressed thet he sees his first task as running the state, the country's most populous and most industrialised. His main rival as candidate in 1987 remains Herr Hans-Jochen Vogel, who stood unsuccessfully against Chancellor Helmut Kohl in 1983, and who is still leader of the SPD parliamentary party.

Herr Rau's achievement can be measured by the fact that his triumph in winning 52.1 per cent of the vote on Sunday is the SPD's best performance in North Rhine-Westphalia, and gives his party its strongest position currently in any federal states.

Chancellor Kohl, on the other hand, and his routed Christian Democrats were trying yesterday to put the best gloss they could on the CDU's worst showing in the state.

Herr Kohl declared himself confident that, despite the setback, his party could still win back lost votes in time for 1987. He repeated that the defeat would not lead to any acceleration of the DM 9bn ($2.86bn) second round of planned tax cuts from the intended date of 1988, even though unhappiness about the

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Olivetti and Toshiba plan major links

BY CARLA RAPOPORT IN TOKYO AND ALAN FRIEDMAN IN MILAN

OLIVETTI, the leading European-owned office automation group, and Toshiba, Japan's largest company in the sector, yesterday announced the beginning of a "strategic alliance" in Japan and other markets. The initial key element of the partnership is the purchase by Toshiba of a 20 per cent stake in Olivetti's Japanese subsidiary.

It was clear, however, thet both companies view the Toshiba-Olivetti deal as more than just a joint venture in the Jnpanese market. They have agreed to "consider co-operative business activities in broader fields in both Japan and Europe."

Olivetti said last night that this could mean co-operation in increasing Toshiba's visibility in European markets. It also regards the Toshiba deal as an Asian third leg of a triangular global strategy which includes Olivetti's strengths in the European market and its partnership in the U.S. with American Telephone and Telegraph (AT&T).

Initially the link-up is aimed at boosting Olivetti's sales in the Japanese office automation equipment market. Olivetti, which established its Tokyo subsidiary in 1961, is still a fairly minor player in the Japanese market with just Y21bn ($83m) a year in sales. Toshiba is Japan's second largest company with 1984 sales of $11.5bn, n quarter of which were exports.

The terms of Toshiba's purchase of a 20 per cent stake in Olivetti Corporation of Japan were not disclosed. Sig Elserino Piol, Olivetti's executive vice-president for strategy, said in Tokyo, however: "The agreement goes beyond the financial aspects. It is intended to support a hroad relationship between Toshiba and Olivetti allowing, among other things, better to better the Japanese market."

Olivetti stressed yesterday that the new link with Toshiba would not conflict with the alliance with AT&T, which owns 25 per cent of the Italian company. Toshiba said that despite Olivetti's small size in Japan, it had developed a "unique marketing" company which would complement Toshiba's own distribution network.

Toshiba's own equipment already accounts for 45 per cent of Olivetti'a sales in Japan, marketed under the

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European groups link, Page 26

Christian Democrats advance in Italy

BY JAMES BUXTON IN ROME

ITALY'S long dominant Christian Democrat Party appeared last night to be back in the ascendancy after two years of electoral setbacks, according to computer predictions of elections to regional governments based on early results.

The projections also showed the opposition Communist Party falling back and the smaller Socialist Party led by Sig Bettino Craxi, the Prime Minister, advancing slightly.

The projections pointed to what would, if confirmed, be a good result for the five party coalition Government of Sig Craxi. The coalition parties appeared to have won a higher share of the vote than they did in the 1983 general election and in last year's European elections.

By contrast the Communist Party saw its much vaunted hopes of overtaking the Christian Democrats as the largest single party – as it did by a whisker in last summer's European elections – crumble. The gap between the two parties was put as just under five per cent.

The Italian electorate voted on Sunday and until 2pm yesterday in elections for the governments of 15 of the country's 20 regions, as well as for the councils of the country's provinces and of virtually all its cities and towns. Full results for all categories will not be available until today.

Projections by the private opinion research organisation Doxa, closely matched by those of the Communist Party itself, indicated that the Christian Democrats would win almost 35 per cent of the vote.

This is 2 per cent less than the party's share of the vote in the last regional elections of 1980, but almost a 2 per cent improvement on both the 1983 general election and the 1984 European elections.

The party's senior officials were yesterday delighted that the decline in Christian Democrat electoral support, as shown by the 1983 general election, was now being reversed.

The party's local election strategy of issuing dire warnings to the electorate on the dangers of a "sorpas-

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European unions attack 'bogus' job flexibility

BY JOHN LLOYD, INDUSTRIAL EDITOR

EFFORTS BY European governments to cut wages and increase flexihility in their labour markets bave come under attack in a report by the European Uolons' Research Institute to coincide with the opening of the European TUC Congress in Milan.

The report, "Flexibility and Jobs—Myths and Realities," claims that "flexibility" bas become a "euphemism for a range of policy proposals which inclode: cutting real wages; increasing inequality; increasing job insecurity; and reducing social security protection.

"Not only will these bogus flexibility measures make Europe a more unpleasant place in which to live, they won't *create* jobs either. On the contrary, by damaging living standards and locreasing the insecurity of the individual both *in and out of work they may* well increase in flexibility by making people more resistant to necessary, desirable structural change."

The report says that many of these ideas are based oo "very dubious" intellectual arguments on the behaviour of the U.S. ecooomy over the past three years—arguments which assume that "flexible" wages caused an increase in employment, where a very large budget deficit, a contioental scale market coupled with economic coordination and low productivity growth in manufacturing and service sectors were in the main responsible.

It says that "in many cases *the arguments* bave *more to do* with establishing unilateral management control over the way in which labour is used, rather than seeing how labour can adjust and respond to economic change in modern democratic societies."

There is no obvious correlation, it says, between the movement of real wages and employment performance in industrialised countries in recent years. "Differences in employment performance over time and between countries can be much better explained in terms *of differences in growth* rates of output, rather than in differences in real wage behaviour."

It says that while mobility of labour in the U.S. is higher than in either Europe or Japan, "this mobility is concentrated on a small part of the labour force who are hired and fired on a recurrent basis. The U.S. labour force is not more flexible than in Europe, it is more segmented."

The general managerial strategy adopted in Europe and elsewhere to increase flexibility has been and is to produce a core of permanent and relatively secure, well-paid employees and a growing periphery of part-time, casual and contract workers. This will "create few jobs and have damaging effects in splitting the labour force and damaging the chances for achieving successful change in the long run."

In place of current practice, the report calls for "the development of human resources to the full, and not the return to a hire and fire economy. It requires the creation of an effective framework for jointly managing and regulating change between management and trade unions."

Mr Norman Willis, General Secretary of the British TUC, said in Milan last night: "The report shows conclusively that the path to economic recovery lies not in modelling ourselves on American style 'flexibility' nor in driving down wages to Third World levels but in following the example of those European countries where *unions and government* have co-operated in developing policies to counter unemployment."

SIG BETTINO CRAXI, speaking both as Italy's head of government and as president of the European Community, yesterday called for European "solidarity" in fighting unemployment and said it was not necessarily possible to apply U.S. or Japanese models to Europe, writes Alan Friedman in Milan.

He made the remarks at the start of a five-day conference in Milan of the European Trade Union Confederation, which includes 600 delegates from 21 countries representing 45m workers in Europe. Echoing the comments made by M Jacques Delors, president of the European Commission at last month's 24-nation Venice summit on unemployment, he told the trade union officials that "Europe's development model has characteristics which cannot be abandoned." He added that he was referring to "social solidarity and human values."

The conference will vote on Thursday on a five-point resolution which, among other things, could represent the first Europe-wide call for a 35-hour working week.

European Parliament Tories sign up Spanish party

BY DAVID WHITE IN MADRID

BRITISH AND Danish Conservatives signed an agreement here yesterday with the main Spanish right-wing opposition party, Popular Alliance (AP), as a third partner in their European Democratic Group in the European Parliament.

Popular Alliance's decision to join the group was clinched three weeks ago after strong rival bids by both the Christian Democrats and the Gaullists to gain their support.

As a result of representations *by British Tories, it is understood* that AP will drop Sr Guillermo Kirkpatrick, a senior Spanish parliamentarian and foreign affairs expert, from its list of MEPs because of concern about his contacts with the extreme Right.

The link will *increase the* group's seats from 50 to 65 in the enlarged 518-member Parliament *in the initial stage following Spanish and Portuguese* entry to the EEC next year. The distribution of Spain's seats will later be adjusted *as soon as* the country stages direct Euro-elections.

Lord Douro, the group's spokesman on enlargement and the chairman of an all-party committee dealing with the Spanish Cortes, said that the agreement would not only con*solidate the group's* number three position in the Parliament but also dilute its predominantly British composition.

The incorporation of AP, which is led by Sr Manuel Fraga, a former minister in the Franco regime, raised fears about potentially embarrassing connections, but a British Conservative spokesman said the Tories were now "fully happy" on this score and were satisfied that the parties shared the same political philosophy.

Last month, Sr Kirkpatrick stirred up a storm of criticism for attending a meeting in Rome organised by the far-Right Italian Social Movement

Greece's Socialists alter tack on EEC

By Andriana Ierodiaconou in Athens

GREECE'S government Socialists say they have abandoned the notion of withdrawal from the European Community and can be expected to remain committed to EEC membership if they win a second four-year term in power in the general election on June 2.

The Socialists swept to power in October, 1981, 10 months after Greece's accession, on a platform of pulling out of the EEC following a referendum, but never fulfilled this pledge.

Mr Theodore Pangalos, the Greek Minister for EEC Affairs, indicated at a news conference yesterday that the Socialists have changed their minds about the EEC for economic and political reasons.

On the one hand, the minister pointed out that Greece received an estimated Ecu 1bn in EEC funds last year, more than twice the sum expected on the basis of calculations made before accession.

On the other hand, the minister said that Greece welcomes the accession of Spain and Portugal, because this will strengthen the presence of less developed Mediterranean countries in the Community, creating the conditions for redressing the balance of EEC policy.

In the Greek view this has until now favoured the richer northern member states.

Generally, though, smear tactics threaten to replace debate on issues in the general election campaign.

For the Socialists, facing a strong challenge from the conservative New Democracy, trouble has come from the relatively unexpected quarter of the pro-Moscow Communist party (KKE).

In the past two weeks the KKE newspaper has published a series of articles accusing the Socialist of employing the services of U.S. consultants in the election campaign.

This would be embarrassing, if proved true, for the government, not only because the Socialists have made their anti-American image a point of political pride, but also because they have spent a great deal of energy accusing New Democracy of employing a New York-based firm of consultants for the election period.

Most Greeks blame the U.S. for the installation of the Colonels dictatorship in 1967, and the term "American" still carries strong negative connotations here.

Mr Constantine Mitsotakis, the leader of New Democracy, on the other hand, became the target of a smear attack last week when a pro-government Athens daily newspaper published a photograph purporting to show that he was on friendly terms with the Nazi authorities during the German occupation of Greece.

He has responded with the information that he was twice sentenced to death and imprisoned by the Nazis, and is suing the newspaper. But the slur was picked up and translated into slogans by

Keen interest in Norway's latest N. Sea licences

BY FAY GJESTER IN OSLO

NORWAY'S Oil Ministry has reported keen interest by oil companies in the country's 10th petroleum licensing round. Bids in the first part of the round – covering 10 North Sea blocks or part-blocks – were received at the weekend.

Some 22 companies submitted bids – five more than in last year's ninth round. The increase reflects the fact that one of the blocks now on offer, 34/8, is regarded by the industry as the most promising unallocated site in the North Sea.

Among the 22 applicants are three Norwegian groups and most of the major multinationals. Two companies – Occidental and Dansk Undergrunds Consortium (DUC) – are making their first bids in a Norwegian concession round. Notable abstainers are Phillips Petroleum and Amoco; both companies currently operating producing fields on the Norwegian shelf.

As in previous rounds, the state oil company Statoil gets a share of every licence, without applying.

The Oil Ministry said that bids had been received for every one of the 10 licence areas offered, although almost all the companies put 34/8 at the top of their lists. Seven or eight of the 10 areas would be allocated this time – a far higher proportion of awards to offered blocks than in previous rounds. Awards would be announced at the end of July or early in August.

The second part of the 10th round covers 30 blocks in the Nordland Two area straddling the 60th Parallel. Applications for these are due by August 16.

● The Norwegian non-oil economy is expected to grow this year by between 3 and 3½ per cent – the highest rate since 1979. This is revealed in the revised national budget, published at the weekend. The budget, which adjusts economic forecasts made last October also shows unemployment falling, investment rising, and the rate of inflation slowing to a forecast 5.5 per cent for 1985 as a whole, compared with about 6.2 per cent last year.

Two worrying trends are a larger-than-foreseen growth in the domestic credit supply and a decline in Norway's competitiveness, in terms of wage costs per unit produced.

Heavy consumer borrowing and rising wages have triggered a spending boom which has helped push up imports steeply this year. For 1985 as a whole they are now forecast at NKr 194.8bn ($17.7bn) – 13.2 per cent more than in 1984. Traditional exports will rise only about 8.2 per cent, to NKr 70bn, while exports of oil and gas are expected to be almost unchanged at *about NKr 79bn. This will cut the* trade surplus to NKr 28.5bn, compared with NKr 43.4bn in 1984.

Poland warned about risk of technology gap

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND is perilously close to falling permanently behind the technologically advanced countries, a meeting of the Communist Party's Central Committee in Warsaw has been told.

The warning came in a keynote speech delivered on behalf of the Politburo by Mr Jozef Czyrek who opened the two-day meeting which is to concentrate on the situation of Poland's intelligentsia and professional groups.

Mr Czyrek said that spending on scientific research would rise to 2 per cent of the gross national product next year and would rise to 3 per cent of GNP by the end of the decade.

More funds would be made available for imports of scientific equipment. The installation of computers in every university was to be given priority.

Mr Czyrek admitted that living standards for the intelligentsia had fallen in recent years and promised "significant" pay rises for academics by the end of this year.

At the same time, he repeated that the authorities would amend the university law, thus giving the Government greater control over *academics and cutting* back recently-granted university autonomy.

In an evident desire to restrain the radical fringe of the 200-person Central Committee which sees the intelligentsia as no more than a breeding ground of reaction, the speech retained a conciliatory tone towards Poland's largely dissenting intellectuals.

Tight security at Dutch demos

BY LAURA RAUN IN AMSTERDAM

DUTCH RELIGIOUS groups demonstrated for peace under tight security as the Pope addressed the World Court in the Hague yesterday, the second public protest during the Pontiff's controversial visit.

The Pope also heard a fervent appeal for women's rights in the *Church* from two *Roman Catholic* politicians. A more influential role for churchwomen is one of the main issues which also include contraception, priestly celibacy and homosexuality – over which Dutch Roman Catholics have criticised the Pope's pastoral visit.

About 300 members of Roman Catholic and ecumenical disarmament organisations, waving placards and banners, surrounded the entrance to the palace where the World Court sits. But they failed to elicit a response from the Pope.

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EUROPEAN NEWS

Austria marks treaty anniversary with East-West 'summit'

BY PATRICK BLUM IN VIENNA

AUSTRIA will celebrate the 30th anniversary of the signing of its State Treaty tomorrow by hosting the nearest thing to a full East-West summit.

Mr George Shultz, U.S. Secretary of State, Mr Andrei Gromyko, his Soviet counterpart, and the foreign ministers of nine other Western and Communist countries will be in Vienna for ceremonies marking the country's return to full sovereignty after the war and the end of Allied and Soviet occupation.

Mr Gromyko will meet Mr Shultz and Sir Geoffrey Howe, Britain's Foreign Secretary, among others to discuss arms controls and East-West relations, providing an opportunity for them to make a fresh assessment of the resumed arms control negotiations in Geneva.

These meetings will please the Austrians who are eager to boost their role as potential brokers between East and West; but the *significance* of the anniversary will not be forgotten.

Austria was occupied by British, French, U.S. and Soviet troops after the defeat of Nazism. All troops were effectively pulled ont in October 1955 after the four powers signed the State Treaty on May 15, 1955 guaranteeing the country's *independence*.

Shortly afterwards Austria declared itself permanently neutral. It was the first and last country to be released from Soviet control, leading many historians to ponder over the reasons for the Soviet move. Only two years earlier, in 1953, Soviet troops helped to suppress a revolt in East Germany; later, Russian tanks brutally crushed the 1956 popular uprising in Hungary.

The country's promise of neutrality which entailed the withdrawal of Nato troops is generally believed to have been the main reason for Soviet agreement. "If we had not indicated our intention to declare permanent neutrality then no one knows whether the treaty would ever have been signed," says Herr Leopold Gratz, *Austrian Foreign Minister.*

This year's anniversary comes during a soul-searching time for Austria's politicans. Austrian democracy is firmly established without dangers of a return to the conflicts of the past. A unique system of government through consensus has served the country well and enabled it to avoid the conflicts seen elsewhere. A social partnership which brings together government, employers and the unions has ensured social peace and political stability.

Strikes are rare and counted *in* seconds per year and the country has grown increasingly prosperous. But the ability to solve problems through sectorial lobbying and behind the scenes deals, so successful in the past, is under fire today with the *emergence* of new political and social movements. Thirty years after the signing of the State Treaty there is a general malaise fuelled in part by government hlunders and indecisions but also by concerns about where the country is heading.

No one here is seriously questioning Austria's neutral status but few would deny that neutrality is far more difficult today than in the past. Neutrality bas meant nonadherence to *military* pacts as well as to broader economic groupings such as the European Economic Community. Herr Gratz says that, unlike membership of the European Free Trade Association, EEC membership is not possible because as an institution it is committed in the long run to political union and in the transfer of national rights to a supranatinnal body.

Austria'a neutrality is above all military. It looks westwards in every other respect, although for geographical as well aa historical and political reasons it maintains exceptionallv *good* relatinns with its Eastern European neiehbours. When detente was the order of the day this posed no problem as Austria could claim to play an active role in encouraging better East-West relations.

The end of detente has caused friction with the U.S. over technology transfer to the East hloc and brought strong denounciations from the Soviet Union and its allies about plans to modernise Austria's tiny air force and defences.

The Austrians' willingness to provide a first refuge to thousands of East hloc emigres has also come under fire from Eastern Europe.

Vienna has felt perhaps more than most the change of climate in international relations. "There is a feeling from both sides that if you are not with us you are against us," Herr Gratz says.

Hungary plans to reduce number of guest workers

BY LESLIE COLITT IN EAST BERLIN

HUNGARY IS to reduce the number of foreign workers in the country, most of them from Poland, because of tha high cost of employing them.

About 10,000 "guest workers" are employed in Hungary of whom 8,000 are Poles and most of the rest Cubans. The demand for *Polish* workers *is constantly* growing according to the Hungarian economic weekly magazine Figyeloe. It said this was true, although the cost of employing a Polish worker was "about three times grester" than *using local labour.*

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Hungarian companies, however, pay for the added cost aa imports which do not fall under wage regulations. The companies then pass on the cost to the consumer, or, where this is not possihle Figyeloe explained, tha Goverament pays for it in the form of subsidies.

The national budget is further adversely affected as the cost of importing manpower is paid for by exporting products.

The magazine said *several* companies have cancelled their requests for Polish workers since the Government introduced stricter measures and offered tax allowances to companies which retrained local labour for employment. Figyeloe said there is likely to be a further reduction in "guest workers" as Pnland is insisting on *higher* wages for its workers in Hungary.

East Germany has several thousand Polish women employed in factories along the horder, as well as Bulgariana working in restaurants. Most of *them say they are satisfied* with their training, pay and working conditions.

All the East European countries except Romania have sent thousands of wnrkers to the Soviet Uninn to lay gas and oll pipelines wblle some 27,000 Bulgarians work there as lumberjacks and on construction sites.

Yugoslavia to meet banks on 1985 rescheduling

BY ALEKSANDAR LEBL IN BELGRADE

YUGOSLAVIA AND its commercial bank creditors are to make a further effort to resolve their differences nn terms for rescheduling 1985 debt, when Mr Fulvio Dobrich, a senior executive of Manufacturers Hanover and chairman of the International Co-ordinating Committee (ICC) of Yugoslavia's creditor hanks returns here next week.

Yugoslavla has already reached *agreement* with the International Monetary Fund on a $300m standby loan for 1985-86 and with its Western government creditors on 1985 debt relief.

Although differences with the banks were narrowed in Mr Dobrich's talks *in* Belgrade last week, the sticking point is still the banks' insistence on a rescheduling interest rate of 1.25 per cent over Libor (London Inter Bank Offered Rate) and Yugoslavia's willingness to pay only 1 per cent, and its demand on applying this rate to 1983-84 *debts* already rescheduled.

Last week the Government *reported a fractional* increase of less than 1 per cent in exports dnring the first four months of this year, while imports have increased more substantally.

Rupert Cornwell looks at the lessons to be drawn from the North-Rhine Westphalia result

Social Democrats come back into the game

CHANCELLOR Helmut Kohl may be thankful for only nne thing on this hitterest of mornings after: that the next important state election, in Lower Saxony is the best part of a year away.

The weekend elcclion in North-Rhine Westphalia has delivered many lessons: that the *long term survival* of lhe liberal Free Democrats (FDP) as a national political force in Wesl Germany now look assured; that the Grecns, if not a spent force, now appear a distinctly peaked one; and most important of all, that the opposition Social Democrats, to both their own considerahle surprise and the tangible unease of many un*committed* observers, have a reat chance of victory, on present indications, at the next federat election in 1987.

But for the Chancellor and his Christian Democrat (CDU) party, the outcome was an unmitigated disaster. Both invested much in the campaign. The CDU chose the Ruhr city of Essen for its annual congress in *March*, where it launched a hollow crusade to secure the women's vote; Herr Kohl himself made countless appearances in *North-Rhine Westphalia.*

In the event they both lost their shirts. Thc CDU fell back on all fronts, forfeiting support not just among traditionally SPD-leaning workers in the country's most populous and *heavily industrialised state*, but in its natural farming and Catholic constituences as well.

Nor were there any excuses. *True, West German Laender* electinns are a curious mixlure of federal issues and regional personalities. On this occasion Herr Johannes Rau was an nutstanding candidate, as was Herr Oskar Lafonlaine a couple of *months ago in the Saarland,* again for the SPD.

Conversely, the Christian Democrats can reap bonuses from impressive figures of their own, as Herr Lothar Spaeth last year in Baden-Wuerttemherg and Herr Eberhard Diepgen in West Berlin in March hoth demonstraled. This time, unquestionably, the CDU did itself no good hy putting up against Herr Rau the lacklustre llerr Bernhard Worms, rather *than the peppery* aod *combative* Herr Kurt Biedenkopf, less beloved of thc Chancellor.

But even that argument works both ways. A special "Chancellor effect" was held to have militated against the Christian *Democrats* in *North-Rhine* Westphalia in 1980, when Herr Helmut Schmidt was at the height of his powers. Five years on, *the "Kohl effect,"* plainly, was one the CDU could have done without.

Tn that extent, Sunday's result is a stinging blow to thc Chancellor's prestige. Whether the bandling of the *Bitburg affair, and the failure* of the *Bonn* economic summit a week before had any bearing on it is doubtful: rather, the verdict—slightly more than half way through the present Parliament—is thal the Wende, or "turn," as promised and personified hy Herr Kohl, has failed to convince, not least in economic lerms.

And il is in the economic field, where the consequences may be tangible. The Chancellor claimed on Sunday evening that the inability of the centre-right coalition tn reduce unemployment, now standing at some 2.4m, was the maio reason for the defeat of the CDU. What is more, economic recovery is — at least temporarily — faltering, and surveys indicate that the husiness community is increasingly disgruntled with the Government.

ELECTION RESULTS
(percent of votes cast)

	1985	1980
SPD	52.1	48.4
CDU	36.5	43.2
FDP	6.0	4.98
Greens	4.6	3.0
Others	0.8	0.4

Nothing concentrates politicians' minds better than past or pending electoral nemesis; enough, maybe, to tempt them to indulge in job-creating *pump-priming*, or even to huy *popularity by bringing forward* to 1986 the second round of tax cuts, now scheduled for 1988? Herr Kobl yesterday said "no" again to both propositions, but after North-Rhine Westphalia, who would bet on it?

More trouble may come from the FDP, emboldened by its success in gaining votes where the CDU was losing, to create more mischief within the coalition. The vexed question of the *tax cuts* timing, where the Free Democrats favour the whole DM 20bn package in one swoop next year, is but one possible area of trouble. Conceivably too, the Chancellor may yet reshuffle his cahinet, as many have already demanded, in order to spruce things up—and quell any demands for his own head.

But the spotlight is nnw not only nn the shortcomings of Herr Kohl, his unshakable gift for projectiog the impressioo of muddle, and his lack of leadership. Suddenly, having long been written off for 1987, the *Social Democrats* are back in the game with a vengeance.

Herr Willy Brandt, the SPD president, has often argued that a left-wing majority could be put together in West Germany. The stunning triumph of Herr Rau in North-Rhine Westphalia, on top of several opinion polls lately showing the SPD neck and neck with, or even a whisker ahead of the CDU-CSU, *suggests he may have a point.*

He may have another loo, in his contention that the Greens to *the SPD's* left *would* bnrn themselves out, to the profit of the latter. Once again, as in the Saarland, a powerful Social Democrat campaign has kept the Greens below the 5 per cent required for representation in the *Duesseldorf parliament.*

True, the radical party brought much of the disaster *upon itself,* with a ragged performance highlighted by a ruinously damaging squabble over the legality of child sex. That in turn has only strengthened the band of the so-called "realist" faction in the Greens, *arguing for serious* policies and a readiness to meet the SPD halfway. If they do, bowever, the consequences may well merely be first embrace by the Social Democrats, and then absorption hy them — elegant vindication of the Brandt theory.

The position of the SPD today has much in common with Labour's in Britain. Somewhat unexpectedly both parties look *as if* they dn have a chance at their respective next general elections; both though *are suspected* by many of not being ready fnr power, above all on account of an alleged proclivity to neutralism, of being "unsound" on defence.

In West Germany, that feeling *burst out in astonishing fashion* during *Sunday night's standard* election postmortem on television, as the Chancellor sought briefly to escape his on discomfort by accusing Herr Brandt of "privitive and anti-Americanism." Furiously, Herr Braodt rejected the charge, deserihing for good measure Herr Heiner Geissler, the CDU general secretary, as "the worst rabble rouser in Germany since Goebbels."

Less important than the *viciousness of the exchange* was the charge itself. Foreign policy had little to do with North-Rhine Westphalia, but if the SPD's present leftward drift on defence continues, it may have a great deal to do with the 1987 *campaign. The debate of course* will largely be shaped by the man who leads the Social Democrats then, assuming that the self-effacing, ineffectual candidate of 1983, Herr Hans-Jochen Vnget, does not.

Assuming that the self-effacing, ineffectual candidate of 1983, Herr Hans-Jochen Vnyel does not lead the party into the next federal election, Herr Rau —sensihle, eminently likeable and middle-of-the-road nn matters of defence and disarmament—has now hecome the front runner. Herr Brandt as much as said so yesterday. The man himself, as he has to, claims he does not want the job. But if he is drafted, that will be something else for the Chancellor to worry about.

Michael Thompson-Noel previews today's financial statement by Australia's Labor Government

Hawke tries to revive his economic high-wire act

IT WOUD resist the analogue, but Mr Bob Hawke's Australian Labor Party Government is struggling to regain the nerve and flair that distinguished its high-wire style when it first gained power two years ago.

Mr Hawke and his Treasurer, Mr Paul Keating, like trapese artists with cramps, have been very low profile of late, no doubt ruminating on Labor's dimiaished image since its lacklustre general election performance five months ago.

In Canberra today, the Hawke Government delivers a major economic statement—almost a mini-budget—which is expected to detail Federal Government spending cuts of at least A$1bn (£570)m.

This will mark the first of several major tests which the Government must pass easily if it is to prove its claim to have control of the economy, and that recent problems can be surmounted.

Since the start of the year, these problems have included a furious controversy over Australia's decision not to play a role in U.S. MX missile tests in the South Pacific, worries that Labor's left-wing was ascendent, a slumping A$ and worries on the trade and tax reforf fronts.

After today's economic statement, the Government faces a special State premiers' conference next month, a tax summit in July, its full Budget in August, and a national wage hearing and trades union congress in September. All will test its mettle.

Recently, Mr Hawke and Mr Keating re-emerged from their shells. Mr Hawke admitted that he had been "operating at less *than full bore because of* personal problems"—which were not specified) and confirmed that be had told his Cabinet it had to lift its game.

Likewise, Mr Keating is all fired up about tax reform ("hot *to trot*," in the Canberra vernacular) and spoiling to take the fight to his opponents.

The Treasurer, in a recent speech in New York, reminded his audience that the Hawke Government was originally elected on its promise to fight inflation and unemployment simultaneously, and that the centrepiece of its approach was its accord with the Australian Council of Trade Unions (ACTU).

The accord's key feature is its commitment to wage restraint within a centralised wage-fixing system.

"By any measure, I believe the policy approach we have implemented bas produced the results we sought: if anything, *thet performance of the Austra*lian economy in the past two years has outstripped expectations," Mr Keating said carefully.

In the 23 months to March this year, 340,000 new jobs had been created, equal to about 6 *per cent employment growth.*

Return to the ring: Treasurer Paul Keating

Unemployment had been cut from 10.4 per cent to 8.8 per cent, and inflation from 11.5 per cent to around 5 per cent.

Growth had surged. During 1984, Australia's non-farm *economy grew* by 5.1 per cent, against 2.6 per cent in 1988 and 0.9 per cent in 1982. In the *six months* to last December, the corporate profit share of GDP had recovered to around 15 *per cent* from a trough of 12.2 per cent two years earlier. Similarly, indexed real unit labour costs bad fallen, while the number of working days lost because of industrial dispntes was at a 17-year low.

These were some of the real benefits that had been achieved under the accord, says Mr Keating, who argues that any attempt to disband Australia's centralised wage setting system and to replace it with a more market-related method is simnly not on.

Whatever the successes enjoyed by the Hawke Government since March 1983, Mr Keating is swift to admit that it faces "profound challeoges."

First, he says, devaluation nf the A$ means that rectification of Australia's excessive current account deficit must be pursued while *avoiding resurgent* inflation. Second, there must be a further significant reduction in Government spending at Federal, Stae and local levels. Third, the tax system must be reformed.

Betweeo the start of *this* year and late April, the A$ fell by more than 20 per cent on a trade-weighted basis. This was good news for exporters, and triggered a major surge on sharemarkets, with foreign investors throwing great wads of money into the mining and resources ring.

Despite the A$'s recent recovery, to around U.S. 69 cents, there are real fears that bigher import costs will feed straight through into another debilitating round of inflation.

Labor's severest critic on this front is Mr John Howard, Mr Andrew Peacock's deputy Liberal Party leader and Treasurer in the former Fraser Government.

In tha approach to last December's general election, Mr Howard charged that "beneath the appearance of economic improvement," the Hawke Governmeot had greatly increased its own expenditures, had dona little to improve industry's competitiveness, and facilitated a major transfer of power to the trade union bureaucracy.

"At present," Mr Howard said, "the total public sector borrowing requirement in Australia is approximately A$14bn, or a little over 7 per cent of GDP. It bas soared from a level of only 4 per cent of GDP in 1981-82 . . . Debt-servicing is now a major budgetary *problem in Australia.*"

Labour has imposed on itself a trio of fiscal policy constraints said to be unprecedented. Failure to deliver these promises will weigh heavily against the Government, as woulld failure to overhaul Australia's tax system, which the Treasurer says is in an advanced state of decay.

The Government will produce shortly a draft white paper on tax reform. The preferred policy position of the Prime Minister and Treasurer is reform of the direct tax base, reduction of income tax, and a more broadly-based consumption tax.

Yet the path to tax reform is borribly mined. Politically, it is the tax isue that will probably most influence the Government's survival. It is looming as a make-or-break issue, for Australian politics can be both curiously parochial and extremely volatile.

In recent days, Mr Hawke and Mr Keating have returned to the main ring. Whether they are again ready for the high wire is yet to be discovered.

Australia recorded a trade surplus of A$182m (£104m) last month, its best trade performance since April last year, Michael Thompson-Noel reports from Sydney. Imports rose by 14 per cent, but there was a 23 per cent surge in export receipts, partially reflecting benefits of the depreciated Australian dollar.

However, the current account deficit in April was A$680m, boosting the 10-month deficit to A$8.9bn, 62 per cent higher than for the same period last year — *indicating a total current* account deficit for 1984-85 of at least A$10.5bn.

Shultz optimistic over Palestinian presence in peace dialogue

BY RICHARD JOHNS

MR GEORGE SHULTZ, U.S. Secretary of State, yesterday claimed to have made progress in resolving the question of Palestinian representation in a joint delegation with Jordan to enter into a dialogue with Washington in preparation for peace negotiations with Israel.

The surprising note of optimism *sounded* by Mr Shultz in breakfast talks with King Hussein came at the end of four days of meetings which included Israel and Egypt.

The U.S. Secretary of State gave no indication of the formula *discussed, but he said* that "there will be a Palestinian-Jordanian delegation or group." He added mysteriously that "different people may be needed for different purposes."

There was no official Jordanian reaction to a later claim by Mr Salaah Khalaf, second in command to Mr Yassir Arafat in the mainstream Palestinian group, Al Fatah, to the effect that King Hussein was planning to announce a Jordanian-*Palestinian confederation to* negotiate a settlament with Israel.

Mr Khalaf—otherwise known as Abu Iyad—warned that the Palestine Liberation Organisation, of which Mr Yassir Arafat is chairman, would be wrong to accept such a move.

Observers here did not rule out the possibility of such a formula being discussed as a means to start a new "peace process," a device to overcome the problem of participation by representatives of the PLO or members of the Palestine National Council (parliament in exile) and an alternative which was favoured by the U.S.—both of which were rejected by the Israeli Government last week. But neither the hard-line Likud nor more moderate Labour partners in the Israeli coalition are in principle opposed to links between the Hashemite Kingdom and the Palestinian Arabs of the occupied territories.

Yet, whatever accord or understanding was reached between King Hussein and Mr Arafat in their talks in Amman just over a week ago, it seemed unlikely that the PLO leader would publicly endorse any such solntion. Mr Arafat, in Peking as part of a joint Jordanian-*Palestinian delegation*, said on Sunday that "any delegation on any purpose or mission has to be from the Jordanian Government directly."

Washington to increase civil aid to Egypt

BY TONY WALKER IN CAIRO

EGYPT HAS been told it can expect an additional $200m *before October this year in its* civil aid allocation from the U.S. and a further $300m by the end of the year.

Prime Minister Kamal Hassan Ali said after a meeting on Sunday with Mr George *Shultz, the U.S. Secretary of* State, that Washington had shown a "full understanding" of Egypt's requirements.

A U.S. official in Cairo said the proposed additional aid allocation to Egypt would be dealt with soon by *Congress*. Egypt had asked earlier this year for about $2bn in extra aid in the next two years, to cover cash shortages and assist in fulfilling its five-year development plan.

Meanwhile, in an interview with the Financial Times, Prime Minister Ali revealed that remittances from Egyptian workers abroad were expected to ba down more than 50 per cent in 1984/85 compared with the *previous year. He said* remittances from the more than 2m expatriate Egyptian workers would total $1.6bn this year compared with $3.5bn for 1983/84.

Egypt is at present seeking a *standby* credit from the International Monetary Fund to help cover expected balance of payments deficits for the next several years.

Mass turnout urged at South African funeral

By Anthony Robinson in Johannesburg

THOUSANDS OF black trade unionists from the Transvaal are expected to attend the funeral today of Mr Andries Raditsela, the 29-year-old union organiser who died last Monday shortly after his release from police custody.

The Federation of South African Trade Unions (Fosatu), to which Mr Raditsela's union, the Chemical Workers' Industrial Union (CWIU) is affiliated, has called on its Transvaal membership to attend the funeral in Tsakane township.

Tsakane was the scene of bitter fighting between migrant workers living in hostels *and* township inhabitants last week, which caused 19 deaths. Both Fosatu and the Council of South African Unions (Cusa), the other main federation, have instructed their members elsewhere in South Africa to hold two-hour memorial services at their places of work.

Union officials, mindful of the tough reaction of the authorities to the two-day work stoppage in the Transvaal last November, which led to the arrest of union leaders, insist that the call to attend the funeral is not a work stoppage as such and are asking the employers to pay "bereavement leave" for the day.

Meanwhile, unions and leading employers' associations have been in close contact trying to agree a formula which will allow the funeral to take place with the minimum of economic damage.

Illegal aliens break out of Lagos camp

By Patti Waldmeir in Lagos

SEVERAL thousand desperate Ghanaians, Togolese and Beninoise yesterday broke out of a transit camp near Lagos Airport, where they had been waiting for two to three days without food or water for repatriation by the Nigerian Government, and headed for Nigeria's border with Benin.

The camp, where some 25,000 illegal aliens were lodged, was the scene of violent incidents over the weekend in which at least five policemen were injured. On Sunday, immigrants at the camp, which is some 200 yards from Lagos Airport, stoned vehicles and blocked the airport approach road at one point.

The immigrants had been taken to the camp to await repatriation by sea, but as of yesterday only between 4,000 and 5,000 had actually left Lagos Apapa Port. Those remaining in the camp had run out of money for food (the Nigerian Government has enforced a rule that those expelled should carry only 20 Naira (£21) out of the country) and many said they had not eaten for days while water was in short supply.

Eye-witnesses said some 400 vehicles left the camp yesterday for Nigerian border with Benin where they apparently intended to break through the frontier which has been closed since the Government's deadline for the aliens' departure expired last Friday.

According to the Ghana Government five aliens were shot and killed by Nigerian security forces at the border last Friday when their lorry attempted to crash through into Benin. The Nigerian Government has denied this report.

India to strengthen law against terrorists

BY JOHN ELLIOTT IN NEW DELHI

INDIA IS to strengthen legislation to curb the use of arms and explosives by terrorists following the bomb attacks by Sikh extremists last Friday and Saturday in which over 80 people were killed.

This was announced in the Indian Parliament yesterday by Mr Rajiv Gandhi, the Prime Minister, in a major speech which was aimed at reducing tension and at public opinion against the extremists, but not against Sikhs in general.

Shots were fired by police in *the air in New Delhi* yesterday to disperse a stone-pelting crowd. Business activity in the city centre was hit by a day-long strike protesting at the assassination last Friday of a Punjab politician. Bnt there *was* no signs of a general build-up of violence.

In his speech to Parliament, Mr Gandhi repeated claims often made by his mother, the late Mrs Indira Gandhi, that a "foreign hand" was involved in fomenting the unrest.

But he adopted a more constructive approach by saying that it did not help to pretend that the foreign involvement was the "only problem," inferring that India had to concentrate on solving its own internal problems.

Meanwhile, the trial briefly started in Delhi yesterday of three people accused of being involved in the assassination of Mrs Indira Gandhi six months ago, including Mr Satwant Singh, one of two Sikh security guards who shot her. The trial was adjourned until Friday.

Argentine debt rescheduling hits further setback

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S efforts to conclude a $20bn (£16.2bn) debt resevbeduling package with its foreign creditors face a new setback following tha surprise liquidation of Banco de Italia y Rio de la Plata, the country's third largest bank.

The Argentine central bank at the weekend reversed the gradual steps it has been taking towards a more free-market orientated banking system. It aonounced new rediscount facilities for banks in difficulties and insisted that it would not liquidate any further major financial institutions.

It is also understood to be raising its guarantee for dollar deposits. "The monetary expansion which this implies effectivaly puts paid to any programme with the International Monetary Fund," said one banker.

The international implications of potentially the most serious banking crisis in Argentina since the collapse of several leading private banks in 1980, were highlighted yesterday by figures published by the business newspaper Ambito Financiero, wbleb suggests that foreign banks are exposed to the extent of $230m. Many claims will have lo awalt the outcome of lengthyq liligation surrounding the lliquidation of the bank's assets.

In addition to its 88 domestic branches, Banco de Italia y Rio Plata bad representative offices in New York, Geneva, Caracas, Rome and Sao Paulo. Yesterday the central bank of Uuruguay inlervened in the Banco de Italia y Rio Plata'a Montevideo subsidiary, which bas five branches, to prevent a run on deposits.

Banco da Italia y Rio Plata was one of Argentina's oldest banks, with a considerable inlernational reputation. Bankers claimed yesterday, however, that the bank had indutged in self tending and had been under investigation by the central bank. It is understood that over 30 per cent of its loan portfolio was made np of unrecoverable debts.

Banco de Italia y Rio de la Plata'a problems are believed to have provoked divistons within the Government between those who argued against propping up banks whose management deserves no support and those who wished to avoid anything that might undermine confidence in the banking system.

The liquidation of the bank was the result of a personal initiative by President Raul Alfonsin after several press leaks about tha bank'a difficulties had led to a run on its deposits.

Argentina's Fereign Ministry said it would take "pertinent international action" against the opening of an airfield by Britain on the disputed Falkland Islands, Reuter reports from Buenos Aires. In a brief statement it said the inauguration of the airfield ended the first stage of the islands' military fortification, which It deems an act of aggression.

Volcker calls for World Bank to play bigger role

BY STEWART FLEMING IN WASHINGTON

FEDERAL Reserve Board Chairman, Mr Panl Volcker called yesterday for the World Bank, the largest multilateral development agency, to play a bigger role in helping developing countries deal with their longer term economic problems.

But be warned: "There is simply no realistic prospect—and no political support in the U.S.—for those organisations (the World Bank and the International Monetary Fund) to undertake a substantially larger amountof the financing needs of the heavily indebted countries."

In this context, be added: "The IMF, as a short and medium term lender, will before too long need to begin looking forward to net repayments by some of the largest borrowers."

Speaking to a conference of international bankers, Mr Volcker went on to express concern about the evidence that banks have been trying to reduce commitments to developing countries. "Some part of the publicised new money packages appears to have been offset by leakages elsewhere," he said, adding: "Maintenance of necessary amounts of trade financing and some restoration of voluntary lending are logical and reasonable parts" of the second phase of the debt problem.

Senator confirms CIA in Mideast anti-terrorist plan

BY OUR WASHINGTON CORRESPONDENT

THE Reagan Administration ordered the Central Intelligence Agency to develop an anti-terrorist effort in the Middle East bnt modified the plan wben Administration officials realised that the CIA was indirectly involved in an attempted car bomb assassination of Mobammed Hussein Fadlallah, a militant Sbi'ite leader in tha Lebanon. More than 80 people died in the bomb attack.

The White House yesterday refused to comment on reports about the anti-terrorist effort which surfaced first in the Washington Post. But Senator Daniel Moynihan said he was informed last year, when be was vice-chairman of the Senate intelligence committee, that President Reagan had ordered the CIA to develop a "small anti-terrorist effort" in the Middle East.

Sen Moynihan added that he assumed that the CIA would work with intelligence agencies and others in the Middle East but that it bad not been specified what would be done.

Sen Moynihan subseqnently left the intelligence committee but his successor, Sen Patrick Leahy, said on Sunday night that be was already attempting to investigate the report.

The CIA was reportedly working with a Lebanese group that hired yet another group to carry out tha attempted assassination without CIA authorisation and without informing the CIA in advance. The attack took place on March 8,

General Electric fined after change of plea to guilty

BY PAUL TAYLOR IN NEW YORK

GENERAL ELECTRIC, the fourth largest U.S. defence contractor, yesterday did an abrupt about-face, citing new information, and pleaded guilty to charges that it defrauded the Government on Pentagon Minuteman missila contracts.

As a result GE, whose military busness totals around $4.5bn (£3.6bn) a year, was ordered to pay the maximum fine of $1.04m. In addition the Connecticut-based group promised to refund the full amount involved in the charges.

The surprise move by GE came on the first day of its trial in Philadelphia on cbarges that the company made false labour cost claims involving $800,000 on the $47m Minuteman nuclear missile contract between January 1980 and April 1983.

Only last week GE, which had contested the criminal charges since they were filed in March, enlered a plea of not guilty to tbe 108-count indictment.

In the wake of the charges GE was temporarily suspended from bidding for any new government contracts — a ban wbicb bas since been largely lifted following pleas from the company and meetings between senior GE executives and Air Force officials at which a number of accounting and management policy changes were agreed.

GE said yesterday: "We changed our plea because of new information given to us and the U.S. Attorney'a office by the attorney for a former employee.

"Four years of investigation by GE and various government agencies revealed errors in timecard charging in 1980. From the beginning, we offered to relmburse the Government for any incorrect charges. However, until now, GE was unable to conclude that any individual had engaged in criminal activity."

GE added: "During the investigation, at least 40 current and former GE employees were called to testify before a federal Grand Jury with full immunity. All of them denied any criminal misconduct. Because of this GE pleaded not guilty to the charges against the company.

"Roy Brassier, a former employee, was one of those who denied any criminal misconduct to the Grand Jury. He was indicted for perjury on March 26 when the company was indicted. But 10 days ago, Mr Brassler admitted that he, and possibly others, knowingly and intentionally, charged timecards incorrectly. In the light of this new information, we accepted responsibility for these intentional errors and changed our plea."

Unions bow to management's new-found strength

Terry Dodsworth charts the steady retreat of U.S. organised labour

THE LONG retreat of U.S. organised labour, begun in earnest during the 1981-82 recession and accelerated by the victory of the motor companies in their wege contract negotiations last autumn, ehows no signs of coming to an end. Indeed, in the last few weeks the unions have suffered some of the most crippling blows so far.

These setback include:

- The collapse of the Pan American World Airways mechanics' strike, witb a return to work in which the Transport Workers Union accepled reduced fringe benefits and a 40 per cent reduction in the pay scale for new hirings.
- The obandonment of the steel industry's coordinated bargaining committee, accompanied by a warning that U.S. Steel, the biggest company in the sector, may try to negotiate different agreements in individual plants.
- A demand for substantial cuts in wages and benefits from around $21.40 (£17.83) an hour to $15.20 an hour, at Wheeling-Pittsburgh, the seventh largest U.S. sleel company.
- A summary declaration from American Motors, the U.S. affiliate of Renault, the nationalised French motor group, that it will start closing its car manufacturing operations in Wisconsin if the union does not accept cuts in wages, fringe benefits and shop floor representation.
- An agreement by the Teamsters' Union, once regarded as the most powerful in tbe oation, accepting increases well below the rale of inflation and lower wagee for new recruits.

Tbe common theme is a new-found aggression on the part of management, born in some cascs out of desperation. Companies are now striking at the heart of traditional unionism, using the courts and any other weapon that comes to hand wlib a directness tbat would have been unthinkable only a few years ago.

This uncompromising attitude would be much more difficult to sustain if the economic circumslances of most of these companies were better. But part of management's recent approach has been to say to the unions thal the financlal position of their companies has made normal negotiations a luxury they cannot support.

At American Motors, for example, tbe United Auto Workers' Union has virtually been presented with an ultimatum—a non-negotiable, take-it-or-else declaration that car manufacturinß cannot continue unless the concessions are made. After conceding to considerable give-backs in their last contract, there are now indications that the workers are preparing to give up more, including lbe permanent lowering of the basic wage rate, as tbey face the reality of the company's financial weakness. In lbe first quarler of this year, American Motors made a loss of $29m, compared witb the profit of $15.5m made for the whole of last year.

Similarly, at Wheeling-Pittsburgh, the Uniled Steelworkers are grappling with a company which haa already fallen into the hands of tbe bankruptcy courts uoder the Chapter 11 proceedings—a system which allows a temporary breathing space while management works out a survival plan free from creditors' demands.

According to the unions, it is illegal to use this manoeuvre to change labour contracts. Yet only 18 months ago, Continental Airlines employed a similar collapse inlo bankruptcy to tear up its employee contracls and rehire its workforce on pay rates which were up to 50 per cent lower. Despite bitter complaints from the unions, the courts have sided witb tbe company.

In the Continental case, the position of the unions was weakened from the first by the willingness of many workers to accept the company's demands, combined with the ease with which the airline was able to hire newcomers for any gapa that existed. Indeed, ooe of the most serious fealures of tbe threat to organised labour is the collapse of the movemeot's traditional solidarity or, to put it from the opposite point of view, managemenl'e ability to drive a wedge within the union ranks.

The decay selting in to the ability of the unions to maintain a disciplined, united front is evident in a number of cases. Tbe Pan Am dispute, wbere the TWU went into the strike wilh what looked like a very strong hand is a good example. The union bad a genuine grievance, in tbat It had accepted wage cuts previously to tide the airline over its financial difficulties, and now expected something in return; its members seemed sotid in the support for action; and the company unlons had a reputation for sticking together.

Pan Am neutralised all of these advantages witb a ruthlessly effective strike-breaking strategy. Prior to the dispute, it had worked itsetf into a position wbere it had sufficient casb to withstand a lengtby drain on revenues, and it had prepared the way by negodaung a new contract first with the pilots, many of whom were willing lo cross the picket lines.

To the consternation of the TWU, it was able to keep a substantial part of its operations going, using administrauve staff and those pilots wbo were willing to work. At the eame time, it began to act very tough, threatening to bring in more new hirings and selling off its flight kitchens, elimioating almost 700 jobs. After a montb of this guerrilla warfare, the union was willing to settle.

Management has also succeeded in the last two years in breaking down the principle of uniform rates for the job, one of the cardinal guidelines of traditional unionism. In several industries, most notably the airlines but also the trucking, building and supermarket sectors, two-tier wage structures have been introduced, with new employees being brought in at pay rates up to 50 per cent lower than those of existing staff.

At American Airlines, for example, newly-hired pilots earn roughly half as much as their longer-serving colleagues, and several airlines have introduced identical differentials for their ground staff.

The big steel companies have opened up the way to split the monolithic USW by abandoning the centralised bargaining system in which everyone conformed to a "pattern" settlement negotiated with one company every three years.

The co-ordinated syslem had already begun to break down as one or two of tbe big companies forced local low-cost deals on the nnion. But the dissolution of the committee will formalise, and probably speed up, the process. It implies that companies will start again to try to undercut their rivals on wages costs, rather than competing only on other issues; and it will mean that within individual companies, plants may well be aet against other plants. U.S. Steel, for instance, has made no secret of the fact that it is thinking of different wages in dlfferent parts of its sprawling empire.

It is a sign of the unions' defensiveness that lhey have been ready to accept so many of the concessions demanded by management, frequently surrendering hard-won basic principlea of the labour movement.

In tbis round of negotiations, labour analysts see little indication that the tide will be reversed. At tbe moment, the main economic forces of price deregulation, increased competition in the mature industrial sectors and steadily rising automation all favour management. But if unemployment took another couple of ticks downwards, some economists doubt that sucb extraordinary anomalies as two-tier wages structure would be allowed to survive.

WORLD TRADE NEWS

Brazil reopens $100m order for helicopters

BY ANDREW WHITLEY IN RIO DE JANEIRO

A CONTROVERSIAL $100m (£83m) *helicopter contract*, awarded to Aerospatiale in the last days of Brazil's former Figueiredo Government, has been reopened by the Brazilian Air Force, according to industry officials and diplomats.

The contract for 15 Super Puma helicopters was given to the French state aerospace company in the face of fierce competition from Sikorsky, backed by the U.S. Government, which had lobbied hard for the deal.

The contract was pushed through by Gen Delio Jardim de Mattos, the former Air Minister, and aroused considerable opposition within the air force, which had favoured the U.S. competitor, the Black Hawk, on technical grounds.

A parallel deal by Aerospatiale with the navy, for 10 Super Pumas and 15 smaller Esquilo helicopters to equip the Brazilian marines, has also run into difficulties and may be shelved.

Defence industry officials say the contract, also for about $100m, has still to be approved by the central bank.

One of the first acts in office of Brig Octavio Moreira Lima, the new Brazilian Air Force chief, was to send the Aerospatiale contract to the lawyers, to look for ways of cancelling the order.

The twin orders have been criticised in Brazil on the grounds that they were not a high military priority and are unnecessary at a time of economic stringency.

But a parallel credit of up to $200m, at attractive interest rates, put together by a consortium of French banks, was a powerful inducement for the cash-starved armed forces.

Aerospatiale is, meanwhile, a leading contender for another Brazilian navy helicopter order —this time for eight anti-submarine aircraft to be used on board the new squadron of corvettes the navy is building.

HK gives guarded backing to British textiles plan

BY OUR BRUSSELS STAFF

THE HONG KONG Government yesterday indicated that it could modify its public opposition to the MultiFibre Arrangement (MFA), which controls the flow of textiles and clothing from developing countries to the industrialised world.

Mr Eric Ho, Secretary for Trade and Industry, gave a cautious welcome to the British Government's idea that there should be a transitional MFA, presumably leading to the re-incorporation of textiles into the normal disciplines of the General Agreement on Tariffs and Trade.

"We would certainly look at the proposition when it is presented. To an extent, the UK Government has set in motion the process leading towards the evolution of the EEC position in this regard, he declared.

While it does not meet our full desiderata, we can take some slight encouragement."

Mr Ho is in Brussels during a European tour for preliminary consultations on the renegotiation of the MFA. Formal talks start in July and the present MFA expires in mid-1986.

Mr Ho's comments on a statement made last week to the Commons by Mr Paul Channon, the British Minister for Trade, suggest that there is more flexibility in the position of the developing countries than is apparent in their formal statements.

THE EUROPEAN Economic Community said yesteday that it had reached agreement with Canada on a new quota for EEC beef exports, AP reports from Brussels.

The deal, subject to final approval by the EEC's governing Council of Ministers, limits EEC beef exports to Canada to 10,668 metric tons for 1985.

Degussa in catalytic converter venture

By John Davies in Frankfurt

DEGUSSA, the West German precious metals and chemical company, is entering into a joint venture in South Korea to produce catalytic converters to reduce motor vehicle pollution.

The move is the latest by Degussa to expand its catalytic converter operations worldwide in line with increasing pressure for stronger controls on motor vehicle exhaust emissions.

It is already expanding plants at Rheinfelden in West Germany and Burlington in Canada.

Degussa is setting up a 50-50 joint venture with Oriental Chemical Industry (OCI) of Seoul to produce up to 1m catalytic converters a year from early 1987. The plant will be set up at OCI's existing works site at Inchon.

The West German company declined to disclose the investment involved, but Korean industry officials indicated it would total $12m (£10m).

Degussa said yesterday that production would be primarily for South Korean cars for the home and export market, with the new joint venture company, Ordeg, handling local distribution. Some catalytic converters, however, would also be marketed abroad by Degussa itself.

Degussa recently embarked on a plan to expand capacity at its Rheinfelden plant from 1.3m catalytic converters a year to more than 3m a year within the next 12 to 18 months.

Its production at Burlington in Canada, for the North American market, is being expanded over the same period from 1m to 5m a year.

Degussa also produces automotive catalyst material at a plant at Calvert City in the U.S.

The group claims about half the European market for catalytic converters for motor vehicles, with the devices installed mainly in cars for export to the U.S. and Japan. Degussa's market share in the U.S. is much smaller.

The European market for catalytic converters is expected to grow as a result of the European Community's decision to tighten car emission controls over six years from October 1988.

Paul Cheeseright looks at moves afoot to whittle away non-tariff barriers.

How EEC aims to harmonise standards

THE POLITICIANS have outpaced the technicians in the standards field. Although European Community trade ministers have agreed a new approach on harmonising standards among the Ten, it will be some months before their plans can be worked out on the ground.

Last week, they decided to abandon the laborious approach of trying to harmonise technical standards product-by-product down to the last detail and go for a new approach based on the simple requirement of safety.

That may prove to be the easy part. Now the mechanics of the new system have to mesh together.

By September though, the Commission should have:

● placed before the Council of Ministers a series of draft directives embodying the new approach;

● helped to finish the work of strengthening the two Community standards bodies, CEN and CENELEC;

● worked out with the Ten how to run the standing committee which will in effect be the watchdog of the new standards procedures;

● made a proselytising effort among the representatives of the Ten to let them know what is going on.

What is going on is to bring into play a system which could have over the years a major *effect on whittling away non-tariff barriers to the EEC's internal trade-barriers* which use technical product standards as a means of keeping out imports.

The process is based on greater simplicity, a desire to eliminate technical haggling for political reasons. "The idea is to get the new philosophy through with political clout, to tell the technicians 'this is how you do it, you can't negotiate it'," said one Commission official.

The new philosophy involves the Community — that is, the trade ministers of the Ten—setting a basic standard which is concerned with safety requirements. Once that standard has been agreed, products which fall within its scope can circulate freely in the Community. *That standard* will be compulsory.

But the technical standards, the specifications for a product like *the nature of the material* in which it is made, can be settled at national level, always provided the Community requirement is met. But these technical standards will be voluntary.

However, when one country sets a technical standard, it will have to notify the other nine. At this point, the standing committee comes into play. Any other country which does not *like that standard can say so* within three months — to the committee.

The Commission chairs the *comittee which is made up of* representatives of the member-states. The role of the committee is advisory. The Commision makes the final decision in the event of a dispute about a standard.

This power of arbiter for the Commission worried some of the Ten when the trade ministers met last week.

But reservations about the Commission accumulating power faded away when it undertook to "*take account of the members* of the committee and will more particularly endeavour to avoid going against any predominant tendency which might emerge."

In fact then, the majority will rule. The committee will work on the basis not of unanimity but of a qualified majority.

The effect of this general approach should largely be to confine the political haggling to the Community standard itself —the basic safaty requirements.

But the point is that there is going to be less to haggle about. When it gets down to technicalities, the decisions of the *Commission-shared* committee are going to be precisely that —technical.

The snag is that there is no time-limit on the Council to agree on the basic standard. If, though, the Council is true to its own declaration, the experience of the past, when a Community standard could be laid down after e product had become obsolete, *should* be avoided.

"The Council *emphasises the urgent need to resolve the present situation as regards technical barriers to trade* and *dispel* the consequent uncertainty for economic operators."

> **'How the Commission plays its hand will be watched closely not only within the EEC but in the capitals of the European Free Trade Association. What is at stake is a more open market over the whole of Western and Northern Europe.'**

The trade ministers who agreed that are broadly the same people who in September last year agreed a series of 15 standards directives, covering products as diverse as lawn mowers and *gas* containers, which had been on the table for an average of 9.5 years.

What the ministers are waiting for now is the first batch of new Commission draft directives which will launch the new process. The Commission has the initiative here, although the *Council has* agreed the basic approach.

So far, under the old painstaking, argue-every-comma technique, *some 177 standards* have been established, most frequently in the motor vehicle and electrical equipment *sectors*.

But Community standards are noticeably lacking for a host of engineering products and building *materials*. It will be here that the Commission makes its first thrust.

So in mechanical engineering, *it* will concentrate, for example, on pressure vessels and machine tools. As well, there are drafts being prepared on electro-medical and radio interference equipment.

Last year, ministers said that in high-technology sectors, areas should be identified where common specifications and standards "will make for efficient exploitation of the Community dimension and the opening of *public works* and *supply* contracts."

Yet in telecommunications and information technology, the *Commission* is *apparently not* prepared to bring the new standards approach as such into play. This week is considers the two sectors as separate issues within the framework of other policies.

How the Commission and the Council play their hand will be watched closely not *only* in EEC industry but in the capitals of the European Free Trade Association.

The Efta countries want an allied approach on standards. What is at stake is a more open market over the whole of western and northern Europe.

Italians win Chinese order

By Alan Friedman in Brazil

PIAGGIO, the Genoa-based maker of scooters, motor-cycles and light vehicles, has won a L20bn (£8.1m) order to supply China with 16,500 three-wheel light mini-trucks. The agreement, signed at the weekend in Peking with China National Automotive Industries, calls for delivery of the *Italian-made* vehicles between July this year and March 1986.

The contract is important for *Piaggio*, which last year made a L765m net profit, as it could open the way for the sale of other products to China.

The vehicles to be shipped will be Piaggio's Ape-703 V three-wheelers. Last year the company produced around 31,000 of thes vehicles.

Piaggio, which last year saw its turnover fall to L569bn from L600bn in 1983, has cut its output by 45 per cent since 1980.

Baldrige warns on China tariffs

THE U.S. Commerce Secretary, Mr Malcolm Baldrige, said yesterday that U.S. companies face high costs, uncertain customs and tariff practices and other barriers that make it difficult to do *business in China*, AP-DJ reports from Peking.

Addressing the U.S. business community in Peking, Mr Baldrige also cited the difficulty of repatriating profits, limits on U.S. service industries, and problems in obtaining secure supplies and labour.

"A number of Chinese commercial practices continue to act as barriers to U.S. companies in China," Mr Baldrige said, vowing that his department would discuss them wtih *the Chinese Government*.

He noted "the high costs of doing business in China relative to other countries"

One U.S. bank estimates it costs $500,000 (*£416,000*) a year to have a representative office in Peking. More than 150 U.S. companies have offices in China, where direct U.S. investment now totals more than $700m.

Businessmen face erratic customs enforcement with duties of 100 per cent or more on imported cars; equipment and some personal goods, Mr Baldridge went on.

He hoped to sign a "work programme" this week enabling U.S. companies to participate in the beginnings of China's ambitious plan to upgrade outmoded industries.

Akzo suffers setback in patents fight

By Laura Raun in Amsterdam

AKZO, the Dutch chemicals group, has suffered a setback in its year-long battle with Du Point of the U.S. over patent rights to a new super-trong Aramid fibre.

An administrative law judge has advised the U.S. International Trade Commission (ITC) to forbid imports of Akzo's Aramid fibre called Twaron on the grounds that it would hurt sales of a similar product made by Du Point. The judge's edvice, however, is not binding on the ITC's final decision, expected in July.

Du Point lodged a complaint against Enka, Akzo's fibre subsidiary, with the ITC a year ago. The U.S. procedure parallels legal battles over the Aramid *fibres* in the Netherlands as well as in West Germany.

Enka declined to comment yesterday on the expected *outcome of the ITC decision*.

BBC in TV deal with Japan

BY RAYMOND SNODDY

BBC ENTERPRISES has made a major breakthrough in selling television programmes to Japan. It has signed a contract to *supply up to 250 hours of programmes* a year to NHK, which runs two public service television networks in Japan.

The deal, guaranteeing the BBC an annual six figure sum and seen as the beginning of a long-term relationship, will initially run for three years.

Japanese television has previously bought individual programmes or series, such as the BBC-TV Shakespeare.

Under the new agreement *NHK is expected to buy more* BBC drama of all types, as well as news and current affairs programmes.

"This represents an extremely good deal for the BBC and is an *important* breakthrough in the supply of our programmes to Japan," Mr Roy Gibbs, sales director of BBC *Enterprises*, said.

Japan 'will meet 30% of world car demand'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE JAPANESE motor industry has been fundamentally strengthened by the recent period of protectionism, and the *favourable exchange rates* with which it coincided. By 1991 it will be supplying 30 per cent of world demand for cars compared with 24.6 per cent last year.

This is one of the major conclusions in the latest world automotive report from the DRI Europe forecasting organisation, which also concludes that Brazil and South Korea will become important car exporters by the end of the decade.

DRI points out that the use of automation has lowered the cost base of the Japanese industry and given it the flexibility to produce a wide range of products. Manufacturers have moved up to more-sophisticated cars with *higher* margins of profit.

This has provided them with relief from the constraint on volume growth caused in particular by the "voluntary" restraint on shipments to the U.S. market, "while emphasising the companies' financial strength," DRI says.

WORLD CAR PRODUCTION (000's)

WESTERN EUROPE	1984	1985	1986	1'90
West Germany	3,790	3,683	3,924	4,272
France	2,713	2,728	2,847	3,006
United Kingdom	909	987	997	1,094
Italy	1,439	1,435	1,416	1,516
Netherlands	109	105	113	125
Belgium	213	246	255	258
Total six EEC	9,173	9,184	9,552	10,211
Sweden	375	396	423	478
TOTAL WESTERN EUROPE	10,726	10,816	11,253	12,089
United States	7,774	7,721	7,476	7,719
Canada	1,009	1,079	1,084	1,087
TOTAL NORTH AMERICAN	8,673	8,800	8,560	8,806
Japan	7,073	7,380	7,735	8,049
Australia	365	402	390	352
New Zealand	83	72	68	80
Taiwan	158	182	206	286
South Korea	156	205	291	493
Peninsular Malaysia	95	99	110	140
India	64	80	93	126
South Africa	267	255	283	309
Mexico	245	297	342	518
Brazil	695	797	856	1,198
Argentina	142	142	148	228

Source: DRI Europe

Total Japanese car output is forecast to rise from 7m last year to 8.2m in 1991. With the addition of nearly 1m units of capacity in the U.S. and an estimated 300,000 in Europe, plus some 1.1m in the rest of the world (Australia, South Africa, Mexico, Taiwan, etc), Japanese companies will be *supplying some 30 per cent of* total worldwide passenger car demand," DRI suggests.

The report predicts that car production in Brazil, 0.695m last year, will pass the 1m level in 1988 as exports grow rapidly.

By the end of the decade, Ford will probably be exporting 50,000-60,000 Escorts from Brazil to Europe, and 35,000 Sierras (which go into production in Brazil in 1987-88), forecasts DRI.

General Motors is expected to increase exports of its J car (Ascona/Cavalier) from Brazil *to Europe to an annual 20,000* to 30,000. At present, it supplies Brazilian cars only to Iceland.

Volkswagen is working on a new model for *its Brazilian* subsidiary which "opens up the possibility that VW will increase its penetration of Middle East and African markets with the Brazilian-sourced model."

The DRI report provides forecasts of new car registrations and production by manufacturer for major countries, car parts, exports and imports for 29 countries.

DRI World Autos Report £950 from 30, Old Queen Street, London SW1H 9HP.

Andrew Gowers on how Massey-Ferguson is boosting its African trade

Ploughing a second-hand furrow

TAKE A continent with chronic shortages of food and foreign exchange. Add a company with a pressing desire to maintain a long-term presence in that continent's tractor markets.

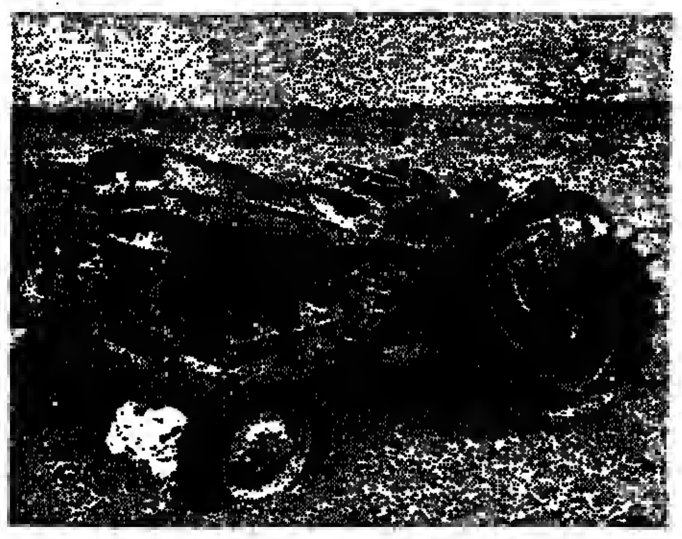
Faced with this recipe in Africa, Massey-Ferguson, the tractor manufacturer, has come up with a novel approach to business.

The scheme, masterminded from the company's Coventry operative, involves rehabilitating old tractors rather than selling new ones and has found favour in Mozambique, where — as in many other parts of Africa—a dearth of working tractors constituted a serious obstacle to boosting food production.

Canada-based Massey, which claims to be the market leader in Africa, which it supplies from factories in Britain, France, Italy and Brazil, is trying to drum up support from more African governments and from international aid organisations to extend the programme to other countries.

The idea has already been tried by British companies such as BL, with trucks and buses in some African countries.

For Massey the idea goes back to 1981, when Mozambique's Ministry of Agriculture took stock of its dilapidated tractor fleet and asked the company and its local distributor for help.



Up to 50 per cent of tractors in some Third World countries are immobile

A national survey revealed that the country had more than 5,000 Massey-Ferguson tractors, many of which had been ruined through misuse or lack of maintenance and spare parts.

Massey, whose African sales, in common with those of other tractor manufacturers, had been progressively hit by the desperate shortage of foreign exchange in the countries concerned, discovered it could overhaul and completely rehabilitate three of these vehicles for the price of one new one.

"We decided that we should try to help them," says M Serge Hemici, Massey's French-born parts manager of Africa. "Mozambique was a good candidate because we already had a well-established dealer network there."

The programme was set in motion with \$5m (£4.06m) of aid from the British and Brazilian governments and, by the middle of last year, Massey technicians bad resuscitated about 2,000 tractors and trained more than 400 local mechanics. The average cost of the work was \$4,000 a tractor.

The Mozambique scheme is about to enter a second phase. UK officials visited the country last year to evaluate the programme and bave given the go-ahead for its extension. M Hemici will visit Mozambique next month to complete a contract for phase two, whicb will cost less than the initial scheme.

Massey's next target is Tanzania, where the problems seem, if anything, more intractable. The country has some 5,600 of tbe company's tractors, nearly half of which are immobilised.

Similar large-scale programmes are heing prepared for Somalia; Uganda and Nigeria.

In addition, Massey is running more modest schcmes aimed at reconditioning old tractors in Zambia, Malawi and Zimbabwe.

These involve supplying key spare parts rather than overhauling the tractors.

CBI backs individual paternity leave deals

COMPANIES are making their own arrangements with employees for paternity leave, rsther than operating under provisions in national trade union agreements, the Confederation of British Industry reports today.

A CBI survey of more than 100 national agreements on pay and conditions, shows that only seven provide for paid paternity leave. It says: "Very few concessions have been made over the past two years, despite a growing numher of claims for paternity leave by trade unions at national level."

This indicates, says the CBI, that employers support the organisation in its opposition, endorsed by the Government, to a European Community plan to give parents three months' leave on the birth of a child.

The CBI argues that arrangements for parental leave should be voluntary so that companies deal with the matter in ways best suited to their circumstances and those of their employees. It believes the EEC draft directive would, if implemented, worsen British industry's competitiveness.

Many public corporations and public service organisations do not operate paternity leave agreements, and ataff are expected to use annual holidays for this purpose, or to take unpaid leave, says the CBI.

Record for Scots property campaign

THE SCOTTISH Development Agency'a property campaign has sparked off a record number of inquiries.

The sgency's property marketing team has received more than 200 responses about factories and land since the campaign was launched two weeks ago.

Pit waste used in £1.65m Scottish land reclamation

WORK STARTED yesterday on a £1.65m project in Bathgate, Scotland, to use colliery waste to create land for a private housing development in Britain's largest such project.

It is the result of close co-operation between the Scottish Development Agency and Lothian Regional Council and involves draining, landscaping and infilling the 116-acre Little Boghead site using 600,000 tons of colliery spoil from the derelict slagbeap at Easton Bing, which dominates Bathgate.

In addition, 250,000 tons of clay will be used to provide a capping layer on the site. Work will be completed by next June. The project is part of Lothian region's land rehabilitation programme.

Little Boghead is the only area in Bathgate earmarked for private housing. About 900 houses are expected to be built, at an estimated cost of £20m, and a numher of private housebuilders, including Wimpey, which has already hought 12.5 acres, have expressed interest.

"This development will be of very positive economic and environmental benefit to Bathgate," said Mr Robin Duthie, chairman of the Scottish Development Agency. "It will help meet a shortfall of private housing land in the town on a previously undeveloped site while at the same time removing a major eyesore.

"The agency'a extensive environmental and urban improvement programme is indicative of the importance we attach to this problem. In cities, towns and villages throughout Scotland many old derelict buildings, slag heaps and other industrial deformities have been removed, releasing new landscapes of industrial, recreational or amenity value.

LETTERS TO THE EDITOR

Ripples from retailing

From Rowena Mills

Sir,—Over the past half decade the supermarkets increased their total share in leaps and bounds. In 1974 they accounted for 52.6 per cent of total grocery trade turnover, by 1980 this had increased to 67.6 per cent, by 1983 to 73.5 per cent, and by 1984 this had moved to well above 75 per cent. While the Co-ops have suffered to some degree, the greatest impact has been felt by the independent grocers. Their share of the grocery trade is now around 11 per cent, which is roughly two-fifths of the 1974 level of 26.8 per cent.

It is estimated that as each new supermarket opens, as many as 28 private businesses close. This goes to explain the sharp fall in the number of people employed in this sector.

What is not so clear, however, is how the supermarkets are eble to offer that overwhelming attraction of a much lower price than that offered by the smaller shop. The answer is that their very rapid growth in market strength has enabled them to adopt a wide range of practices designed to depress the cost of the product to themselves.

There is frequent refusal to comply with suppliers' requests for a justifiable cost-based product price increase, and when it is accepted it takes many weeks to be implemented. Extended credit is demanded (anything up to 120 days has been known to be "requested" while reputable published figures show that the everage credit period for tha supermarkets themselves is between two and three days). This gives the supermarket a huge cash flow advantage with all its implications for financing investment.

Loss-leading is forced upon brand leaders, with delisting if the demand is not complied with. While reasonable discounts for volume are commercially and ethically acceptable, supermarkets also impose both over-riding and retrospective discounts; the penalty for the supplier not to concede these is delisting.

With interest rates as high as they are, stockholding is costly; the supermarkets increasingly impose a policy of "just in time" off-take from suppliers. Not only does this mean that the latter are financing stockholding, but it also means that they are subject to a very high degree of uncertainty in terms of weekly production planning, and, inevitably, long-term planning as well.

The pressure to increase own-label sales by supermarkets is yet another means of cutting costs et the expense of the established brand leader, who is coerced into supplying the own-lebel products. Increasingly too, such own-label supplies are sourced from abroad—the import of beans in tomato sance, for example, increased over three hundred-fold between 1978 and 1983.

The effect of the overwhelming market strength of the supermarkets will not simply be continned closures and falling employment in independent retail businesses. There have already been and will continue to be very serious consequences for a huge area of UK industry—food and beverage industries, household products, toiletries and cosmetics—and to their suppliers, particularly the package manufacturers.

There ere also wider implications for the UK economy as a whole—for example the rapidly growing practice of sourcing from abroad must inevitably affect tha UK balance of payments, and the closing down of town and city centre businesses at the expense of out-of-town growth will put increased pressure on the remaining ratepayers.

This situation can only be exacerbated as more and more independent retailers disappear and the supermarkets carry their war into each others' arena.

Rowena Mills,
PO Box 594,
London W8.

Protecting the public and changes in the latent defects law

From the Vice-President, Practice, Royal Institute of British Architects

Sir,—It is encouraging to see Dr A. H. Hermann, your legal correspondent (Business Law, April 25), endorsing at least some of the RIBA comments on the report of the Law Reform Committee on latent defects.

The people with the greatest involvement in new buildings are those who commission, own, occupy and use them. It is the consumer who is at most risk and who will benefit most from the radical changes in the law called for by the RIBA.

Under current law anybody who suffers loss and damage from some latent or hidden defect in a building has to prove either a breach of contract or negligence by some party in order to obtain a remedy but he can bring an action only within six years from the often unknown date of the damage. The LRC report is only concerned with the period during which the claimant might exercise his rights in negligence claims, and suggests its extension by three years from the time the plaintiff has or could have discovered the damage, with a cut-off of 15 years from the date of the alleged negligent act. That this fails dismally to clarify even that one small issue is perhaps a measure of the complexiy of the problem.

Many building cases are in litigation for five years or more and commonly involve five or more defendants each seeking to defend himself and pass at least some of the blame on to others. Legal costs and the charges of professional expert witnesses escalate exponentially. It is the experience of underwriters insuring architects that 60 per cent of their expense goes in legal costs and only 40 per cent in the payment of damages.

Even if he wins his case, the claimant will always be out of pocket. His unrecovered costs may exceed the amount of damages he has received. He can also easily lose his case. The existence of a latent defect is not necessarily evidence of culpability. There will always be some buildings which will fail in soma degree and when that occurs somebody will suffer e loss that may be catastrophic. Assuming that he has not brought his trouble on himself by misuse, abuse or failure to maintain, then he needs to be compensated. It is for these reasons that the RIBA is calling for legislation designed to deal specifically with defects in buildings. The uncertainties in the existing system are in the interests of nobody except the lawyers and the professional experts.

There needs to be certainty of the amount of compensation available and certainty of time for which it would be available. Then the building producers would be able to arrange proper insurances. Beyond those statutory limits the building owner should arrange his own insurances.

There is a real need to keep dispntes about building defects out of the courts.

The suggestion of expert arbitration made by your legal correspondent certainly bears further examination. Again, this could only be introduced by a radical change in the law.

Dr Hermann has made a number of very useful suggestions. We could have made others. But what we want to do is sit down with representatives of all sections of the construction industry, those who commission buildings and the Government, to sort out a legal framework within which the public will be properly protected and will still obtain good buildings at a sensible cost.

Raymond J. Cecil,
23-24 Warwick Street, W1.

Mainlining into London

From Mr A. Watkinson

Sir,—I was pleased to see Mr Keith McDowall's letter (May 9) explaining British industry's urgent need for more and better roads.

It should be remembered that 90 per cent of traffic goes by road, but the railways continue to monopolise the best routes that lead into the city centres.

Duplicated main lines such as the Midland railway leading into St Pancras would make excellent roads taking traffic from the M1 into central London and cutting out the appalling traffic jams at Swiss Cottage.

A. L. Watkinson.
3 Otley Road, Harrogate, Yorks.

Unemployment in Germany

From Mr G. Miller

Sir,—The unemployment situation in Britain is a cause for concern to us all. It is not helped when trade unions and Labour parliamentarians take the attitude that it is perfectly justified to refer to "4m" unemployed even when the actual figures are under 3.3m. When challenged they suggest this is quite reasonable taking into consideration that there are some thousands of young people on training schemes and others not claiming unemployment benefits who really are unemployed and can therefore be included in the unemployment figure!

When this rule is applied to Germany, so beloved by commentators and political opponents as an example of what other Governments have been able to achieve, the figures are very startling indeed. Germany bas at present—and on everage—1.7m youngsters on training schemes. They are paid between DM 600 and DM 700 per month (£160-£190 per month, or roughly £40-£50 per week), a figure which these critics would claim to be totally unacceptabla in a civilised western country. That the Germans find these rates acceptabla and logical (the youngsters are, after all, being given training by the employer), is quietly ignored. As an employer in Germany I can vouch for the fact that young people apply up to 9 months ahead of completing school for a position as "trainee," and consider themselves very fortunate when such a post is offered them. That no unemployment pay is paid unless the person concerned bas worked for 12 months immediately before his application for unemployment pay no doubt also plays a significant role. Germany also has compulsory military service and there are on average in any 12 months approximately 600,000-700,000 men on service.

Taking these figures together, you have in any one year a total of 2.3m to 2.4m people who would be classified by the trade unions and Opposition as unemployed—a figure which, when added to the official unemployment figures, gives e German unemployment figure of 4.7m to 4.8m! If you add in the people not eligible for unemployment pay, the figure for Germany would look very bad indeed.

In one respect the young people in Britain who object to the YTS scheme are right: it is highly unlikely that they will learn enough in one year to equip them for a job in life. The German system runs for 3 years, has day release for theoretical training, is paid for by the employer, partly through his compulsory membership of the local Chamber of Commerce and Industry, and he bas a curriculum laid down for the 3 years training. He is however under no obligation to offer the trainee employment when the trainee successfully completes his training. For the trainee who fails there is virtually no hope at all of a salaried job. The German system accepts young people up to the age of 21, although 16-18 is more usual. The system is tough, but the results are excellent.

It is regrettable that a country capable of putting together a Task Force in a matter of weeks should be incapable of putting together a training scheme for people in less than 2-3 years. It really is intolerable thet we should deny the youth of today the opportunity of receiving acceptable vocational training because of the bureaucracy surrounding these training schemes. It is a disgrace when it happens at a time when we apparently have a surplus of teachers.

The time has come for action—and the country as a whole would back such action if as a result we give the children of today the prospect of a better and worthwhile life.

G. B. Miller.
Maternusstr 22,
D 4052 Korschenbroich 2,
West Germany.

UK NEWS

Pit union future 'threatened by debt'

By Our Labour Staff

THE NATIONAL UNION OF Mineworkers (NUM) is in such deep debt that its very existence is in jeopardy, Mr Peter Heathfield, its general secretary, said yesterday.

Speaking to a meeting at the annual conference in Brighton of the Civil and Public Services Association, he said be believed the labour movement in general had to decide whether the NUM should continue to function.

Referring to the legacy of the year-long miners' strike Mr Heathfield said: "The assets that remain will not meet the debts we have incurred. The money we have borrowed will more than swallow up the cash that is frozen at the bank, or held by the Receiver."

The National Coal Board (NCB) yesterday made a further move to remove the possibility of a potentially-damaging ban on overtime by the pit supervisors' union Nacods. A Nacods ballot of its membership is expected to show a decision in favour of the action over pit closures.

The NCB said it had written to Nacods assuring it that any decisions related to pit closures would be taken within the industry's colliery review procedure.

Glaxo gets 50% stake in Japanese venture

BY TONY JACKSON

GLAXO, the leading UK drug company, has formed a joint venture with Japanese drug company Tanabe Seiyaku to make and market a new antibiotic. The drug, codenamed TA 5901, is a cephalosporin developed by Tanabe and scheduled to reach the market in about 2½ years.

The deal was sketched in outline by Glaxo last October. However, the final agreement, giving Glaxo a half share of the new company, Tanabe Glaxo, gives the UK company a larger stake in the new drug than bad been expected.

Clinical development work and subsequent manufactures and sales will be handled by Glaxo worldwide outside Japan, with the exception of some Far East countries. In addition, Glaxo will have a share in marketing in Japan itself, through its own associate Nippon Glaxo.

Tanabe, whose origins go back to the 17th century, is one of the leading research-based drug companies in Japan. It has had links with Glaxo ever since the British company first entered the Japanese market in 1970. In 1981 Glaxo chose Tanabe for the Japanese marketing of Zinacef, its second-generation cephalosporin.

Though little is yet known about the new Tanabe drug, advance data indicate that it is a highly potent broad-spectrum antibiotic. Injectable cephalosporins are commonly used for seriously ill hospital patients with reduced resistance to general infections.

It is increasingly common for Japanese drug companies to reach agreements with Western partners on developing new drugs, particularly as Japanese research has become more successful in coming up with new compounds. Although straightforward licensing agreements have been more common in the past, it seems likely that closer links of this kind will become more frequent.

Euro-fighter project may be stalled

BY LYNTON McLAIN

PLANS for a European fighter aircraft (EFA) programme of 1,000 aircraft look set to stall at Thursday's meeting of defence ministers in Rome. The programme is crucial to the newly privatised British Aerospace to follow the Tornado bomber when work on that runs out in 1987-88.

The EFA would replace the RAF Jaguar and Phantom fighter bombers in 1995 and aircraft in the other *four nations participating* in the project.

The programme, embracing the UK, France, West Germany, Italy and Spain, is unlikely to proceed to the project definition stage on Thursday, as ministers had hoped.

The UK is determined that no one nation should emerge as a flag-waver claiming leadership of the programme. The UK view is that the project is supposed to be an equal partnership. There has been fierce insistence by France that its aircraft industry should have the dominant share of the work and the design leadership.

The UK still favours a five-nation agreement to build a European fighter aircraft, but Whitehall doubts that final agreement will be reached at the meeting. A five-nation solution would be cheaper than alternatives.

Moderate Tory group meets with scepticism

By Peter Riddell, Political Editor

TIMING is everything in politics. So the significant point about the launch of the Conservative Centre Forward pressure group by Mr Francis Pym and his band of 30 to 40 fellow Tory MPs is not their identity nor their views, both of which are so far largely predictable. It is their decisioo to go public now after months of private agonising.

A similar point applies to the unveiling by Mr Peter Walker, the Energy Secretary, of his alternative manifesto (political programme) on May 2.

Their common view is that the political mood among Conservative MPs is now receptive for the advocacy on one-nation Toryism after six years of Thatcherism.

Yet the initial reaction at Westminster yesterday was more of amusement and scepticism than any belief that the political firmament is about to be shaken.

Admittedly, there is widespread unease among Conservative MPs, probably more than at any time since 1981. The rise in unemployment, the debate over the future of local rates (property taxes) and the social security reviews have all been unsettling.

The local elections two weeks ago were a further jolt, when the Tories lost control of several county councils while the Liberal/Social Democrat Alliance gained ground.

Tory MPs report that even traditional supporters are worried about Mrs Margaret Thatcher's style (seen as too bectoring and insensitive) and about some policies.

This concern bas, as usual in the Tory tribe, surfaced indirectly in complaints about image. A survey by the BBC Newsnight programme of 200 Conservative backbenchers showed that three quarters were worried about the presentation of policy and two fifths wanted the tone in which policies were presented to be changed. But only 44 per cent of those surveyed agreed with Mr Walker that the Government can and must do something now to reduce unemployment, though 56 per cent disagreed.

All this represents apprehension and uncertainty rather than open revolt. There is still plenty of time before the general election, although patience may be less in a year's time. Most important of all, hardly any Tory MPs believe that policy will change in any fundamental respect since Mrs Thatcher and her allies remain firmly in charge and unchallengeable until after the next general election.

In this light Conservative Centre *Forward faces a difficult task*. By forming an open group, it risks appearing as a challenger to Mrs Thatcher and thus alienating mainstream Tories who see such a move as both pointless and disloyal.

The group's supporters say they are concerned with policies, not personalities. Yet many of their leaders are noted critics of the Government and Mr Pym does not disguise his bitterness about being sacked as Foreign Secretary by Mrs Thatcher two years ago.

The group says it will stress the many points on which it agrees with the Government as well as the eight or nine issues on which it has reservations. Yet, beyond the presentation of alternatives, what is there? The Government was yesterday arguing that any differences over economic policy are much less than in, say, 1981.

After all, many of the group's leaders have refused to support, and occasionally voted against, the Government on economic and local government issues.

A key difference may simply be co-ordination. The leading "wets" – the moderate wing of the party – have been notoriously bad at working together and Mr Pym has hinted at the possibility that the group may vote together against the Government occasionally.

The other question concerns the breadth of membership. The 32 names so far revealed are mainly hard-core "wets." Some other, surprising names from the Tory mainstream will apparently be unveiled, possibly by Mr Pym in his formal launching speech in Oxford today.

NatWest expects strong growth and decline in interest rates

BY ROBIN PAULEY

BRITAIN'S economic growth this year will be stronger than that of West Germany, France and Italy, Mr David Kern, manager and chief ecooomist of National Westminster Bank's market intelligence department, predicts today.

In a bullish report in the bank's economic and financial outlook, Mr Kern forecasts that base rates will be down to 10 per cent by the year-end, suggesting that the recent dismal money supply figures will not reverse the underlying downward trend of interest rates. Sterling is likely to remain erratic, moving in the $1.10 to $1.35 range over the next 1½ years.

Mr Kern warns that, although Britain's economic performance will remain satisfactory in the medium term with growth above the EEC average, the problem of unemployment will clearly "dominate economic and political thinking over the next few years." It will gradually be increasingly important in determining trends in the financial markets.

The high level of economic growth – 3 per cent this year including three quarters of a percentage point "rebound" from the miners' strike – will slacken towards the end of 1985 end again in 1986, when gross domestic product will rise by only 1¾ per cent. But this slowdown will be short-lived, and faster growth will resume from 1987 onwards, says Mr Kern.

Economic performance in the U.S., be predicts, will not be as strong in the next couple of years as it was in 1984. But the economy's medium-term outlook is resilient, as is that of the dollar. However, the recent upsurge in the value of the dollar is unlikely to be sustained, and its value will probably be adjusted downwards over the next 18 months. He forecasts a fall to DM 3 by the end of this year and to DM 2.80 by the end of 1986.

Oil prices could well fall temporarily to $25 a barrel or slightly less later this year as a result of slow growth in world consumption and Opec production remaining well below capacity. Mr Kern expects oil prices then to average $26 a barrel in 1986, rising at a slower rate than inflation to $31 a barrel by 1989.

The outlook for U.S. interest rates over the next 18 months appears stable within a margin of 1½ percentage points on either side of their current levels.

AP wins Mercedes contract

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

Automotive Products (AP) of Leamington has won an order to supply suspension joints for Mercedes cars. "This is the culmination of intensive efforts in the past four years to join the select band of foreign suppliers which supply Daimer-Benz in West Germany," AP said yesterday.

The suspension joints, made to D-B's own specification, will go into the new Mercedes 190 and 200-series cars which have combined annual production levels approaching 500,000. In keeping with D-B's purchasing practices, AP will start as a minority supplier and increase its sales according to supply performance.

D-B is also at an advanced stage testing further AP steering and suspension units for the same models. The UK company also expects to add another West German manufacturer to the list of Continental car companies it supplies.

AP supplies clutches end brakes of its own design to Fiat in Italy and Ford of Germany, among other customers.

● Lucas Girling has developed an anti-skid braking system for motorcycles and says it is negotiating with "a number" of motorcycle producers about its possible fitment as original equipment.

A spokesman said the price would be less than £250 per unit – precisely how much less depending on production volumes.

The company refused to identify the motorcycle manufacturers involved. The Transport and Road Research Laboratory has placed a collaborative contract with Girling, under which BMW motorcycles are being fitted with the system for extended trials by five police forces in the UK. However, Girling said this did not mean that the West German motorcycle maker was necessarily a potential client.

Anti-skid braking systems for cars originated in the UK with the Dunlop Maxaret system. But they did not become a commercial success until electronic-based systems were devised by West German producers in the late 1970s.

Girling appears, however, to be the first into the motorcycle field with such a system, which is a regarded by the transport laboratory as having significant safety implications. Powered two-wheelers account for only 2 per cent of total vehicle mileage in the UK, but for 20 per cent of accident casualties. According to the laboratory more motorcycle accidents are caused by inadequate or incorrectly applied braking which the system, through preventing the wheels locking under braking, can avert.

Girling's anti-skid system for cars is expected to make its first appearance later this year.

Minet syndicate losses may total over £130m

BY JOHN MOORE, CITY CORRESPONDENT

LLOYD'S underwriting members whose affairs are managed by interests of Minet Holdings, the insurance broker, were told yesterday that their total losses could be at least £130m.

Nearly 500 underwriting members met at the Royal Festival Hall in London to hear the full extent of their losses from the Lloyd's underwriting agency of Minet, Richard Beckett. They have to meet the losses from their private wealth.

The Richard Beckett underwriting agency manages the affairs of 1,525 members of the Lloyd's insurance market. The members, whose affairs the agency supervises, include the Duchess of Kent, Viscount Portman, Mr Charles Longbottom, a former Conservative MP, and Mr Adnan Kashoggi, the Middle East businessman.

The bulk of the losses have fallen on 400 members. One farmer who invested in Lloyd's stands to lose more than £500,000, while the average individual losses run at about £200,000.

During the last two years the members have been told by the Beckett agency that:

- £40m of the underwriting members funds have been allegedly misappropriated by former executives of the agency, Mr Peter Cameron-Webb and Mr Peter Dixon.
- £40m of trading losses hit the 1981 underwriting account.
- £62m of trading losses hit the 1982 underwriting account.

Yesterday the members were warned that the losses for the period between 1979 and 1984 in total could top £130m. So far Minet has provided the members with £40m of funds to compensate them for the missing money. The members used the funds to pay off trading losses. But no further direct cash aid is to be provided by Minet and the Beckett agency is to be closed at the end of the year.

A large part of the losses fall on syndicate 918 into which 400 members are grouped. Mr Ralph Bailey, a newly appointed underwriter for the syndicate, told the hushed and anxious audience yesterday that the losses had arisen on "umbrella" insurance arrangements.

Under these arrangements the syndicate concentrated on insuring U.S. liability business, such as product liability, pollution, medical malpractice and personal injury. There had, he said, been an increase in asbestosis liability claims and "a dramatic deterioration" in the results.

It has also emerged that the syndicate took on more business than it was entitled to under Lloyd's financial limits during 1983. The syndicate had laid off large parts of its business with other syndicates under the management of the Beckett agency.

A "rescue" plan is under consideration whereby underwriting members will only be asked to pay £7m to £8m a year to finance the cash requirements of the syndicate, rather than meet the claims in bulk.

Approval of such a proposal will be required from the Department of Trade and Industry, the ultimate supervisory body of the Lloyd's insurance market.

Mr Graham White, managing director of the Beckett agency, said after the meeting that he had received "heart-rending" letters from underwriting members hit by the losses.

Within the next two months, members of the syndicates at the Beckett agency will have to show that they have enough money to meet their liabilities, otherwise the Lloyd's authorities will suspend them from underwriting. They may be declared in default. Lloyd's will meet policyholders' claims on their insurances from a £134m central fund.

Last night a steering group of underwriting members, whose honorary chairman is Lord Goodman, a leading British lawyer, were discussing the next steps in a planned legal campaign against the agency. They have appointed Price Waterhouse, the accountants, to examine the books of the Beckett syndicates and are believed to have made representations to the Bank of England about the troubles surrounding the agency.

Mr White said that the meeting, which lasted over two hours, was "tense." He said: "Frankly it is a black day. But we must do everything we can to keep the syndicates running. They represent £75m of premium income for Lloyd's. I deplore what has happened and we have stressed to the members that we will help them all we can."

Government orders fire safety checks at all sports stadia

BY MARGARET VAN HATTEM, PARLIAMENTARY CORRESPONDENT

SAFETY arrangements at all sports stadia in Britain are to be checked as part of a series of measures set in hand by the Government to prevent any repetition of Saturday's fire disaster at Bradford City's football ground, which cost the lives of at least 53 people.

Mrs Margaret Thatcher, Prime Minister, Mr Neil Kinnock the Opposition leader and the leaders of the other political parties were in their places in the House of Commons yesterday as MPs in all quarters of the House deplored tha tragedy and paid tribute to the heroism of those who risked their own lives in trying to help fans, trapped in the blazing wooden stand to safety.

Leon Brittan

Gerald Kaufman

Questioned about reports that the fire, which engulfed the entire stand within four minutes, was started by a smoke bomb Mr Leon Brittan the Home Secretary, said the chief constable of West Yorkshire, "does not feel that he as yet knows the cause of the fire in spite of the various allegations that have been made."

Mr Gerald Kaufman, Labour's shadow Home Secretary, strongly criticised the Government's decision that the inquiry into the disaster – to be conducted by Mr Justice Popplewell – should also deal with the crowd disorders which marred Saturday's game between Birmingham and Leeds and resulted in the death of a 15-year-old schoolboy.

The Government also came under strong pressure from both sides of the House to ensure that a substantial slice of the money which the Exchequer secures from football – through pool betting duty and VAT on admission charges – is made available to help pay for the costly ground improvements which many clubs seem certain to be required to carry out.

Mr Justice Popplewell is expected to visit Bradford today. Mr Brittan said the inquiry's fundamental task would be to ensure that the demands of safety, on the one hand, and cootrol, on the other, were not only each satisfied in themselves but also satisfied compatibly with each other.

Mr Brittan also announced that in addition, and in parallel with the work of the inquiry, he had decided to designate all grounds in the Third and Fourth divisions of the Football League so that they become subject to the system of safety certification under the Safety of Sports Grounds Act 1975, – which so far has only applied to the grounds of First and Second Division clubs.

He envisaged that the new programme of designation would result in any necessary crowd safety work which was required being identified before the start of the oew football season in August.

Mr Brittan told MPs that he was asking chief fire officers immediately to visit uncertificated sports stadia in their areas to advise management on what steps they should take to secure proper standards of crowd safety in their particular circumstances. He confirmed that the programme of measures agreed to combat football hooliganism at last month's meeting between Government leaders and representatives of the football league at 10 Downing Street would go ahead "with renewed urgency."

Civil service union proposes pay policy talks with Alliance

BY DAVID BRINDLE IN BRIGHTON

MR ALISTAIR GRAHAM, general secretary of the Civil and Public Services Association (PSA), the biggest civil service union, yesterday proposed talks with leaders of the Social Democrat-Liberal alliance, as well as with the Labour Party, about the pay policy of a future government.

His suggestion, made in his opening address to the CPSA's annual conference, is one of the first public admissions by a union leader that the alliance could have at least a share of power after the next general election.

The proposal caused surprisingly little reaction at the left wing dominated CPSA conference at Brighton. However, it seems certain to provoke criticism in the wider labour movement, especially as it comes at a time when Labour and the unions are feeling their way towards agreement on an economic compact.

Mr Graham said there were signs that "the anti-Thatcher majority" could form a government and "we therefore need to be prepared to talk to people like Neil Kinnock and Roy Hattersley (the Labour leaders) and possibly the leaders of the alliance about how we could develop a pay policy which allows us to catch up what we have lost over a number of years."

This acceptance of the need for some form of pay control was almost immediately countered by Mr Leslie Christie, general secretary designate of the Society of Civil and Public Servants, which will today consider a merger with the CPSA.

Mr Christie said at his union's conference at Eastbourne: "We are not prepared to have six years of discriminatioo from the Tories followed by its being institutionalised by a future Labour Government.

The Society decided yesterday to "note" rather than accept this year's Civil Service pay settlement of 4.9 per cent. It further decided to press for a work-to-rule, an overtime ban and policies of non-cooperation to begin in the Civil Service as soon as the Government confirms any pay factor for the public services this autumn.

The CPSA decided to hold a special conference later in the year to discuss its policy on pay and, in common with the society, voiced opposition to the Governmeot's plans for performance bonuses for civil servants.

Mr Graham's conference address could be seen as an attempt to rehabilitate "new realism" in the labour movement. He was the leading exponent of this concept before the miners' strike re-established old-style industrial confrontation.

In addition to his remarks about the Alliance, Mr Graham suggested that the CPSA consider different ways of assessing members' willingness to take industrial action. He suggested "some form of individual questionaire or opinion poll."

Farm chemical exports rise

BY TONY JACKSON

EXPORTS BY the British agrochemical industry rose by 33 per cent last year, to £480m. Home sales, at £346m, were much more sluggish, showing a rise of only 5 per cent.

Exports were partly helped by the strength of the dollar, said the British Agrochemicals Association. However, the chief reason was the number of innovative new products brought out by the industry. In fungicides, particularly, exports by value went up by 87 per cent.

The faster growth in exports than in home sales is now an established phenomenon. Exports in 1979, at £155m, were smaller than home sales of £212m. Since then, home sales have grown in total by 63 per cent in value, while exports have more than tripled.

In the home market, said the association, the volume of herbicides fell by 15 per cent last year, and value fell by 5 per cent. This was partly due to the weather, affecting sales last spring in particular. There was also a drop in the total use of pesticides, partly because of the arrival of new and more efficient products, and partly through more economical use by farmers.

Rebutting accusations that the agrochemicals industry exported to developing countries products banned or severely restricted in the UK, the association said that a survey of its members had shown that exports of such chemicals last year were worth £1.3m, or 0.3 per cent of the export total.

BL increases vehicle output lead over Ford

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE GAP between BL as the UK's major car producer and Ford in second place widened in the first quarter of this year.

BL's output jumped by 27,207, or more than 24 per cent compared with the relatively depressed period a year before, to 135,372 cars.

The rate of production reflected the introduction of new models such as the Metro five-door, Montego estate and the Rover 216. It improved at a time when BL's car registrations in the UK fell back by 2.45 per cent, or 2,324 to 92,670.

Ford's market share fell from 27.14 per cent to 26.12 per cent. The fall in Ford's UK production was even steeper – 8.2 per cent or 7,406 cars to 82,790.

However, Ford says that it has not reduced production schedules. Some 3,000 cars were lost in early January because the company was short of seat covers after a strike by sewing machinists at the end of 1984. A further 2,000 cars were lost through a series of minor disputes at the Halewood plant in Liverpool, where Britain's best-selling car, the Escort, is produced, after a reorganisation of the trim shop.

General Motors, the Vauxhall-Opel group, increased UK assembly by 8,312, or nearly 25 per cent, to 41,989 in the first quarter following the introduction of the new Astra model at its Ellesmere Port plant nn Merseyside.

UK CAR PRODUCTION FIRST QUARTER

	1984	1985
Austin Rover	109,255	135,372
Range Rover	2,624	3,714
Total BL	111,879	139,086
Ford	90,196	82,790
Talbot UK	26,278	15,071
General Motors (Vauxhall)	33,677	41,989
Carbodies	445	596
Jaguar/Daimler	9,157	10,673
Lotus	247	239
Panther	90	29
Reliant	32	149
Rolls Royce	497	552
TVR	84	105
Others	177	165
Total	272,759	291,283

Source: SMMT Monthly Statistical Review

However, GM has some way to go to catch Ford in terms of the cars provided from its British plants as a percentage of total UK sales.

In the first three months of this year Ford's production represented nearly 63 per cent of UK registrations. GM's output was only 45.3 per cent.

The 42.6 per cent drop (11,207 cars) in Talbot UK's production in the first quarter not only reflected the fall in demand for the models supplied to the domestic market but also a seven-week shutdown in car kit production for Iran.

Letters of credit failed to arrive early this year to pay for kits – which have sufficient UK content to count as "cars" in the statistics. A counter-trade deal has now been arranged to ensure that output of the kits – eventually assembled into Iran's best-selling car the Paykan – will continue until well into 1986.

The figures, to be published in the Society of Motor Manufacturers and Traders' Monthly Statistical Review, show that UK car output in the first quarter moved ahead by nearly 7 per cent to 291,283. If the rise was sustained, it would take the UK's car output back above 1m again this year.

Littlewoods to start one-town credit card

BY NICK GARNETT, NORTHERN CORRESPONDENT

THE LITTLEWOODS stores, mail order and football pools group announced yesterday that one of its divisions will operate and finance Britain's first credit and charge card to be used solely within a single town.

Credit and Data Marketing Services (CDMS) Littlewoods' finance and information arm, has signed a deal with the chamber of trade at Wilmslow in Cheshire, in north-west England, to operate the system. It is expected to encompass a range of traders within Wilmslow from foods shops and petrol stations to stores, public houses and solicitors.

Wilmslow, a prim and affluent town south of Manchester, will almost certainly be just the first of such "one-card towns." CDMS, formed earlier this year by Littlewoods to market a range of credit and information services both in-house and for outside companies, is already having discussions with a handful of other towns and cities which may be interested in following the Wilmslow card lead.

The company said it thought the Wilmslow card was unique in Europe, though a number of French towns and cities, including Lyons and Blois, are experimenting with a microchip card that keeps a memory of transactions.

The Wilmslow card, operating rather like Access and Barclaycard, will be available from September. From then it can be obtained free of charge by anyone using Wilmslow's shops. It will not be restricted to town residents.

No interest will be charged on accounts cleared within a specified time. Traders will pay a one-off fee of £100 to the chamber of trade to join the scheme, the money going towards promotion costs. They will also pay to CDMS about 3 per cent on average of sales obtained through the card system.

The scheme is designed to expand Wilmslow's retailing by improving customer loyalty and by offering the advantage of the card being acceptable at a large number of different businesses. It is also intended to carry some snob value for shoppers.

The card might also be linked to free parking and special one-off discounts at some stores. Traders will be able to send advertising material with customers' monthly statements.

Finnigans, a family-owned up-market store, was the first to join the scheme yesterday.

Wilmslow, which has a population of 41,000, is one of the most pertinent examples of the culture and wealth gap between the area south of Manchester and the dereliction problems and unemployment in the north of the Greater Manchester conurbation.

Yuasa Battery expands

BY ROBIN REEVES, WELSH CORRESPONDENT

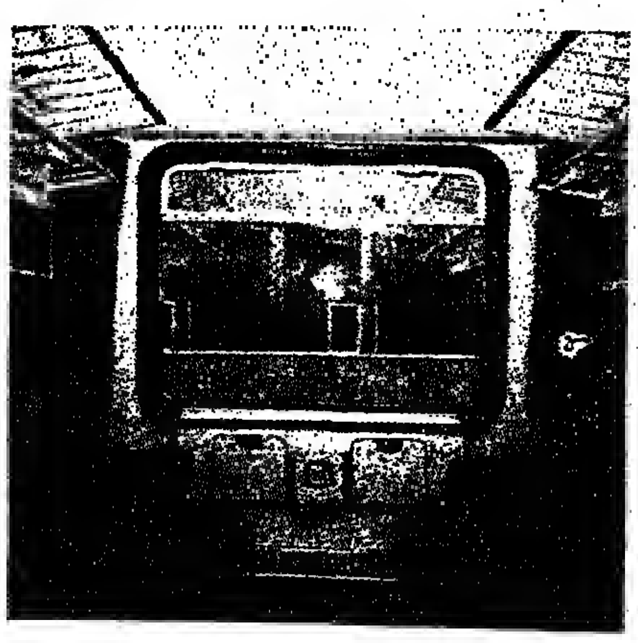
JAPANESE-OWNED Yuasa Battery (UK) is undertaking a £10m expansion at Ebbw Vale, South Wales, which is expected to create an additional 300 jobs.

Yuasa, which manufactures sealed lead acid batteries, will be leasing a new, purpose built factory from the Welsh Development Agency for the project.

The expansion, which is being backed by Welsh Office selective financial assistance, will be located close to the company's existing Ebbw Vale facility which opened in 1982 and at present employs 160.

Since starting manufacturing in the UK, Yuasa claims to have captured approaching half the UK market for sealed lead acid batteries and to have built up a significant share of the European market.

The sealed, rechargeable power units are finding an increasing range of applications in the electronic and medical equipment sectors. The decision to go ahead with the new investment was taken during a visit to Wales by Mr T. Yuasa, vice-president of Yuasa Japan.



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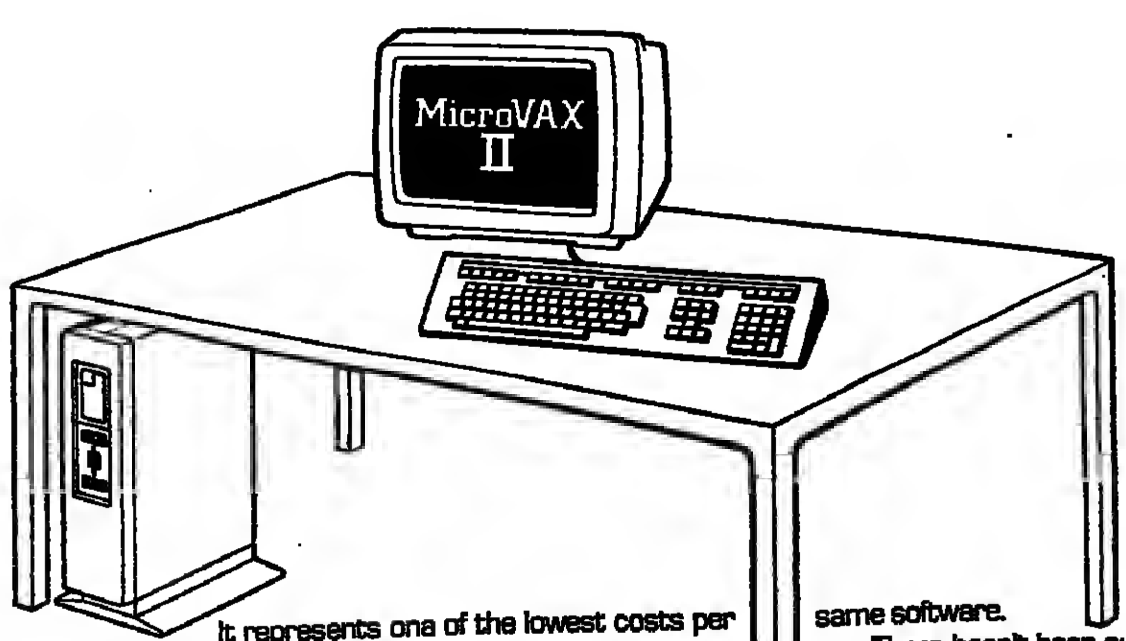

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Around Britain

NEWPORT

FT REGIONAL REPORT

High technology has stolen the limelight in this former coal and steel town. But other industries are also helping the drive for jobs

Town fighting hard for a new lease on life

THE INDUSTRIAL landscape of Newport is changing—and changing fast—as a journey west along the M4 from the Severn Bridge shows.

Overlooking the motorway on the right of the Coldra roundabout is the Celtic Manor luxury hotel, opened three years ago and now undergoing a £15m expansion which will include a 160-acre championship golf course.

The hotel is the brainchild of Welsh-born Mr Terry Matthews, a founder of Mitel, the Canadian telecommunications group in which British Telecom is taking a £180m stake and which has its European headquarters at nearby Caldicot.

On the left of the roundabout and nearing completion is Inmos's 100,000 sq ft final assembly and test plant, complementing its two-year-old UK manufacturing headquarters on the other side of Newport.

A few miles farther along the M4 the Welsh Development Agency's most ambitious property development, a £2.3m campus development for new technology industries, is rising at Cleppa Park.

To the north lies Rogerstone Industrial Park, where the AB Electronic Products group has built a 100,000 sq ft plant to produce electronic assemblies for the IBM personal computer, for Acorn and other microcomputer manufacturers. Berlei, the foundation garment manufacturer, has also transferred its UK distribution headquarters here.

Not far away is Cwmbran, home of Ferranti's computer systems research and development and the location of Llantarnam Industrial Park, which has already attracted high-technology enterprises like Parrot Corporation's floppy disc manufacturing plant.

NEWPORT (population 130,000) straddles the mouth of the river Usk. A strategically important settlement in medieval times, it grew into Wales' third largest town in the 19th century in response to soaring coal exports from the Gwent (formerly Monmouthshire) coalfield.

Although only 12 miles from Cardiff and even closer to Cwmbran new town, it is proud of its distinct identity as the traditional capital of Gwent.

Its famous sons include Jack Frost, the 19th century Chartist leader, and, in modern times, Leslie Thomas, the author, and Johnny Morris, the broadcaster.

***Newport* Rugby Club provided Wales with its first captain, Arthur Gould, and many legendary players since. The town also boasts its own football league side.**

The town and its hinterland are in the forefront of the Government's drive to replace thousands of jobs lost in traditional industries over the past six years with new industries and services, particularly those associated with the information technology revolution.

Fast road and rail links with the south-east of England and the Midlands mean Newport is well placed to share in the new technology growth taking place along the M4 corridor. The town is fighting hard for a slice of the action to rebuild an employment base hard-hit by the recession and manufacturing job losses.

Since the disappearance of the coal trade, Newport's docks have built a useful business in car imports and exports. But the town's post-war economic fortunes have been tied with heavy manufacturing industry—above all with steel.

Llanwern and the town's other steel plants for a period dominated the local economy, employing well over 15,000 workers.

But five years ago Newport found itself staring economic disaster in the face. As the steel industry crisis deepened, Llanwern looked set to be closed, with the overnight loss of 9,300 jobs. Only at the last minute were BSC chiefs persuaded to adopt the "slimline" solution which kept the plant open but virtually halved its workforce to 4,100.

Llanwern has become one of the success stories of British industry and the other steel plants are, in the words of one executive, "down to fighting weight."

In spite of a steady influx of new employers and expansion by existing ones, Newport's unemployment totals

Regional Report by Robin Reeves

some 13,000 (17 per cent). In Gwent as a whole some 29,000 are out of work.

In these circumstances, Newport has been unhappy over its downgrading from development area to intermediate area.

Regional investment aid in Newport is now selective rather than automatic and leans against capital intensive projects in favour of labour-intensive ones. But the Welsh Office says it can still put together as attractive an assistance package as before to win big investment projects.

The new regime has also extended assistance to certain service industries which Newport, as a regional centre, is better placed to attract than many other assisted areas.

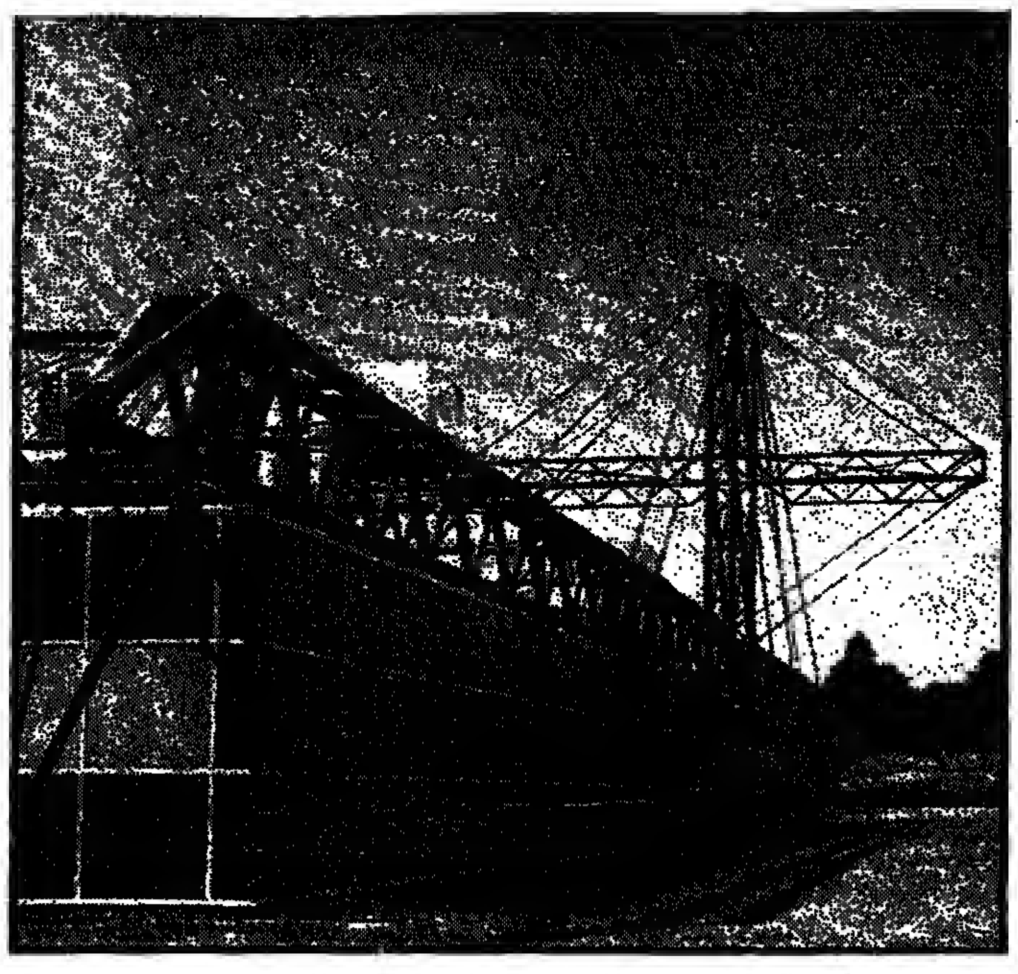
The Welsh Development Agency is also playing a more active merchant banking role, offering loan and equity finance to help companies expand, as well as providing sites and premises.

In the wake of the Llanwern redundancies, the agency started a crash programme of factory building, and lettings have gone well. At the latest count, WDA units were employing some 1,100.

Its Techbase development at Cleppa Park sets new standards in industrial space. It consists of 65,000 sq ft of two-storey accommodation.

Building has only just commenced, but interest is such that the agency is now insisting on a single tenant for each block and confident of a rent appreciably in excess of £3 a sq ft—a record for the Newport area.

Newport Borough Council is not content to leave the task of economic regeneration to others. The local authority has invested in small industrial units and organised its own investment grants scheme, which it calculates has created or retained some 2,000 jobs.



Developments like the Inmos microchip plant (above) and headquarters for Mitel, in which British Telecom has just taken a big stake, add a futuristic side to Newport's industrial image

Plants for the memories

INMOS, THE British-financed international semi-conductor manufacturer, is putting the finishing touches to its second facility in Newport in a move to consolidate the drive for a key share of the world market for standard memory devices.

The 100,000 sq ft building at Coed Rhedyn, five miles from the company's first Newport plant, will take over the final assembly and packaging now being carried out in the Philippines, Korea and Taiwan.

Bringing this work to Newport will enable Inmos to maintain closer control over quality, reduce costs appreciably through using the latest automatic equipment and reduce delivery periods. This offers a significant saving in working capital for a company whose annual turnover has now risen to some £110m.

The severe downturn in world semi-conductor demand means the new facility is likely to be staffed initially by transfers from the original plant at Duffryn. But Inmos, along with the rest of the industry, is confident of an upturn in the longer-term, leading to some 600 new jobs at the plant. This will bring its Newport workforce to 1,500.

The decision to expand in Newport reflects the success of the first plant. Contrary to the impression at the time, the company says it was happy to base its main production across the Severn Bridge, its UK headquarters and research and development centre in Bristol.

It chose the Duffryn site in preference to the main rival location a few miles down the motorway at Cardiff because it wanted to be part of a smaller community. The motorway access was also slightly more convenient.

The modernistic plant went into production in 1983 and quickly overtook the company's Colorado Springs manufacturing centre to become main production point for Inmos's silicon chips. It has a high international reputation for its success in integrating for the first time on a large scale the processes of wafer stepping, ion implanting and plasma etching.

The company is particularly pleased with the quality and dedication of the workforce at Newport and regards this as a vital asset in competing with the Japanese.

Inmos attributes part of this success to the introduction of a Japanese-style agreement covering wages and conditions. It provides for job flexibility, intensive training, membership of a single union (the EEPTU), consultation and disputes procedures and a commitment to arbitration.

Inmos

Silicon chips output at Newport is running at some 2.5m 64K dynamic RAMs a month and 95 per cent of production is being exported, mostly to the U.S.

The business downturn brought the introduction of an extended Easter holiday break and a temporary halt to week-end working. But this compares with staff layoffs among U.S. competitors.

The company remains confident that new products under development will reduce vulnerability to these cycles, which have always been a feature of the semi-conductor industry.

This is particularly true of the transputer family (a computer on a chip) which Newport is helping to develop. This is due to go to customers for sampling in the autumn and into production next year.

The presence of Inmos, along with Plessey Marine and AB Electronics products group, and Ferranti in Cwmbran, has been important in extending electronics growth along the M4 corridor into Wales. Small companies are now recognising the area's attractions.

Heraeus Silica and Metals which has established a silica glassware production unit to supply chip manufacturers, and Sector Holdings, a high technology product design consultancy are among these.

NEWPORT M4 LONDON

Around Britain

NEWPORT 2

Trend broken by extra jobs

Steel

AFTER MORE than five years of contraction and massive redundancies, Newport's steel industry is recruiting again.

Some 70 jobs have been created at the British Steel Corporation's Whitehead narrow strip mill following rationalisation of BSC activities. This involved closure of Ayrton works, Middlesborough, and the grouping of the Godins works in Newport and Swansea's Landore site under Whitehead management.

It marks the first break in a trend which has seen the numbers directly employed in Newport's diverse and still-important steel sector decline from more than 12,000 in 1979 to just over 5,000.

Narrow strip activities centred on Whitehead's have been hived off as an autonomous subsidiary, with its own board and separate accounts as a prelude to privatisation.

The creation of these job opportunities is another tribute to the fight staged by Newport's steel industry. Private sector steelmakers fought to persuade the Government to pressure BSC into closing Whitehead's, arguing that it was being featherbedded by the corporation and receiving its feedstock at preferential prices. This was vigorously denied by BSC and local union leaders.

By constituting the plant as a separate "profit or perish" business, the corporation has set the scene to prove critics wrong.

Whitehead's expansion mirrors the dramatic turnaround at BSC's Llanwern steelworks, which has attracted worldwide attention. Just over five years ago, Llanwern employed 9,300 people and produced steel at a rate of nine man-hours per tonne.

Today the plant employs 4,100—still Newport's largest industrial employer. But these are achieving a productivity rate of 3.3 man-hours per tonne, on an annual output of more than 2m tonnes, one of the best performances in Europe.

Although BSC does not publish separate figures, Llanwern is understood to be the only one of the corporation's three big strip mills to be operating profitably in a market plagued by overcapacity.

The crisis posed by the miners' strike, when supplies of Welsh coking coal and rail-borne iron ore from Port Talbot were halted, was overcome by daily road convoys and the co-operation of the workforce. Domestic coal and coke deliveries have now resumed, but the signs are that Llanwern will not return to its previous position of depending 100 per cent on local coking coal pits.

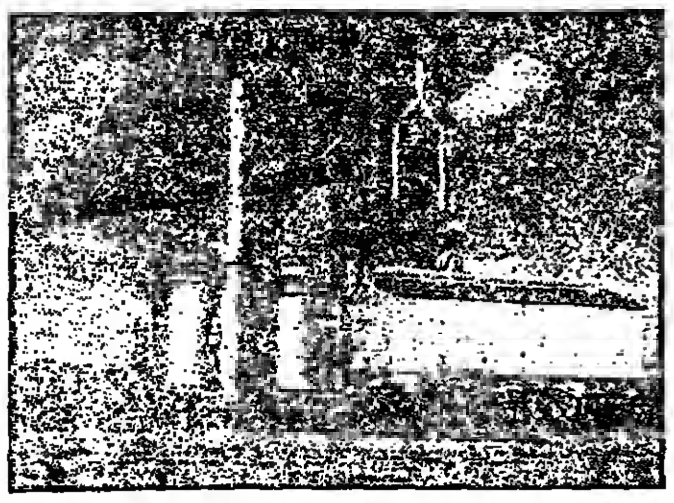
Mr Bob Scholey, BSC chief executive, is still saying that the corporation has one mill too many. But Llanwern, through its performance, has virtually guaranteed itself a secure future.

The same is true of Orb steelworks, BSC's electrical steels plant, where the number of employees has fallen from just over 1,000 to 680.

As the only specialised producer of its type left in the UK which offers steels required by many high technology industries, it can look forward to a bright future, provided it remains competitive against Japan.

Newport's privately-owned Alphasteel plant has had a more difficult time because of the steep rise in prices for scrap steel on which it depends to feed its electric arc furnace. It has taken to buying part of its feedstock in the form of slab steel from BSC, but 50 temporary workers have been laid off, reducing the workforce to about 300. The plant produces about 200,000 tonnes a year.

BSC has been hinting that it would like to purchase the plant. But there are no signs that Alphasteel's owners wish to sell.



A blast furnace at the revitalised Llanwern steelworks

Self-starters given space to grow

Monsanto

A SCHEME to help young people develop their own businesses has just been launched by Monsanto, the international chemicals company, at its Newport factory.

Called Self-start in Business, the scheme differs from the counselling projects of enterprise trusts and similar bodies in specifically providing the aspiring entrepreneurs with access to the company's own workshop equipment to develop their product ideas. They will also receive counselling and advice from Monsanto's own staff who have volunteered to give up their time to help with the project.

The scheme is being launched at the Newport plant with £45,000 initial backing from the Monsanto fund, which was created by the company to contribute to charitable work in the fields of education, health and welfare, youth activities, civic and community development and the arts.

Monsanto's initiative reflects local concern over the high level of unemployment among young people. "There are approximately 20,000 young people under the age of 25 in the Newport area of whom one in five are unemployed. Although we have 15 teenagers at the plant on the Government's youth training scheme, launching this initiative is our way of doing just that little bit extra to help," Mr Ricky Williams, Monsanto's Newport plant manager said.

Over the past few years, the workforce at Monsanto's Newport facility has virtually halved to 450 employees, under the impact of the recession and technological change.

The Newport plant, which opened in 1949, manufactures more than 50 industrial chemicals.

Fibre-optic pioneer wins China order

STC

THE Western world's first order from China for high capacity, optical fibre cable system has been secured by STC's cable products division at Newport.

The new order follows STC's initial breakthrough last year when it became the first Western company to secure a cable contract from the Chinese authorities.

It reaffirms the company's pioneering role in the development of optical fibre technology for telecommunications systems.

STC was amongst the UK manufacturers to receive British Telecom's first orders for optical fibre cable systems in 1979 and its optical fibre cable business has been growing ever since. Key contracts won by the Newport plant include the world's first monomode system for commercial operation—a 28 km link between Luton and Milton Keynes—and the UK's first single mode optical fibre cable within a subscriber network—this was an 8 km cabling system for Kingston-upon-Hull's private telephone company network.

The cable products division has also been responsible for the world's first undersea optical fibre telecommunications cable—a 23 km link between Portsmouth and Ryde on the Isle of Wight, designed to carry data, text, pictures and graphics transmission as well as speech.

Optical fibre transmission has been described as the most significant development in telecommunications since the invention of the transistor. Using light rather than electrical impulses, signals are able to travel along the hair-thin glass fibres much longer distances without intermediate boosting. They are also easier to handle and install, have far higher transmission capacity and are immune to electromagnetic interference.

STC's successful exploitation of this rapidly growing market reflects the company's comprehensive capability in the new technology. The cable products division not only manufactures the basic hardware, but also offers turnkey project management covering the planning of new telecommunication systems, their installation, test and commissioning, and the training of customers' engineers.

As well as the China orders, its other pioneering installations overseas include a 160 km optical line between Bombay and Pune which runs along the top of a pipeline through hostile terrain, carrying speech, telex, and supervisory and conference link facilities—all in one cable.

It has also installed Ireland's first monomode system—a 45 km link between Limerick and Nenagh for telephone, TV and data signals.

Vote of confidence in plant recovery

British Alcan Sheet

A £4.25m INVESTMENT programme designed to consolidate British Alcan Sheet's drive to recapture markets lost to imports, is under way at the company's Rogerstone mill near Newport.

The investment is being directed at upgrading performance and quality by cutting energy costs, improving quality control, reducing the amount of scrap generated during rolling and processing, and freeing bottlenecks in production.

It represents a strong vote of confidence in the recovery at Rogerstone since the UK aluminium industry underwent radical restructuring two years ago and the plant became the main UK production centre for common aluminium alloys.

Under the 1982 merger between Alcan and British Aluminium, Alcan's Rogerstone rolling operations were hived off with Baco's Falkirk rolling mill, into a separate company.

A painful 40 per cent cut was made in the combined manpower of both plants to just under 1,500. This, and what Mr Brian Kemp, British Alcan Sheet's managing director, calls a two-year period of "hard-nosed production management," the company has arrested five years of decline in the British aluminium rolling business and lifted performance at Rogerstone.

The parent company, British Alcan, showed a combined deficit of £29m at the time of the merger and Rogerstone was losing £2m a month. The new combined business has now turned in a profit of £25m, which included a better than break-even performance by British Alcan Sheet.

Under the merger Rogerstone kept its basic capacity of three cold rolling mills, remelt furnaces and modern hot mill, losing only circles and extrusion production to other subsidiaries. In contrast, Falkirk lost its hot mill, three of its four cold mills and circles production, leaving the Scottish plant with one cold mill, remelt furnaces and a cut-op line line — supplied with hot-rolled coil from Rogerstone.

In spite of this severe rationalisation, the combined output of the two plants has been held at about 100,000 tonnes a year. And Mr Kemp says Rogerstone is geared for a further 20 per cent increase in output — without additional investment—given an improved order book.

The long-term outlook for Rogerstone appears bright. World demand for aluminium is continuing to grow at 3 per cent per annum. Aluminium is substituting for steel and copper in some traditional markets, though it faces competition in some of its traditional sectors from plastics.

But British Alcan Sheet's more immediate task is to win a bigger order book and it is concentrating on the UK market for standard specification aluminium coil and sheet.

This sector is in the hands of stockholders and much ground was lost in the early 1980s through uncompetitive pricing and poor delivery. The company is determined to win back the business it lost to imports.

It is also a measure of Rogerstone's competitiveness that the company has also been talking to continental aluminium producers about their buying Rogerstone hot-rolled coil for re-rolling.

Incentive deal agreed

Berlei

Berlei, the foundation garment manufacturer, has reached agreement with its workforce in Wales on a piece-work and incentive bonus scheme. Combined with a £200,000 investment in a packaging and distribution centre at Rogerstone, Newport, the deal has set the scene for the company to start recapturing markets lost to imports, notably from Hong Kong.

The revamp is the result of a management buy-out just over two years ago, and a £1m injection by the Welsh Development Agency in exchange for a 20 per cent equity stake.

The period leading up to the takeover of the company (previously related to the Dunlop group) had been characterised by contraction, with the number of factories in Wales falling from seven to two.

But Mr Colin Hogan, director in charge of Welsh operations, says conditions have been created for renewed growth.

The decision to transfer distribution from Slough to Newport was unusual, but Mr Hogan says it has provided customers with a faster, more efficient service.

The 40,000 sq ft warehouse provided by the WDA was built to Berlei's design. It was equipped to store, package and distribute the company's product range through layout and techniques which have produced a substantial reduction in costs.

Berlei is pleased with the quality of the Labour it has recruited at Newport. Mr Hogan, who has worked in a number of UK and continental centres, says the 70 permanent employees taken on have shown outstanding enthusiasm and willingness to be flexible.

Their union, the Transport and General Workers, has also been cooperative and the company has had no difficulty in recruiting up to 20 temporary workers each year to meet seasonal peaks.

"Berlei is earning a reputation for being one of the top deliverers in the trade," Mr Hogan says.

The company has not found the Severn Bridge a problem. Indeed, the distribution manager commutes daily across the bridge and rarely experiences a hold-up outside bank holiday weekends.

With the revamped piece-work and incentives scheme in place at the company's two factories in Ebbw Vale and Merthyr Tydfil, and the advantage of the new distribution centre, Berlei plans further investment in manufacturing which Mr Hogan says will set the company on the path to expansion.

He says that local garment-making skills are higher than in Hong Kong. Wage rates are also rising slower than overseas, and domestic producers have an exchange rate advantage over imports usually priced in dollars.

Mr Hogan says that the Welsh operation is set to win back business thought to have disappeared under a tide of imports.

THE ARTS

Maggio musicale/Florence

William Weaver

Florence's Maggio musicale festival last year was devised by a guest artistic director, the distinguished composer Luciano Berio. Naturally, the programme reflected Berio's tastes, not only in contemporary music but also in certain areas of the past (notably Monteverdi). This year the Maggio invited another guest, the brilliant and authoritative critic, Fedele d'Amico, whose tastes are considerably different from Berio's. Polemical but never arid or rigid, d'Amico is a great deflater of chic reputations, a conservative without being anything like a reactionary. The calender of the 48th Maggio, now happily inaugurated, bears the imprint of his strong and engaging personality.

For one thing, d'Amico believes firmly that opera should be *given* in the audience's language, and next month we will hear his brand-new Italian translation of Berg's *Lulu* (always given in German so far in Italy). Meanwhile, to inaugurate this year's festival, d'Amico chose the Italian version of *Don Carlo* (the final "s" has to be dropped), in Verdi's four-act redaction first given in Modena in 1886. Actually, to guarantee swiftness of action and maximum impact, d'Amico—to the *dismay of some of the* more frivolous members of the audience—decreed that there would be a single interval. As a result, though the performance began only at eight, we were out of the Teatro Comunale well before midnight.

This decision to make the drama move without too many *breaks* might also have influenced the designer, Pier Luigi Pizzi, who created a single stage frame, of elaborate dull-gold drapery, and confined the scenic elements—trees, furniture, prison bars—to the rear half of the stage, raised several steps above the front half. Whatever its advantages, this arrangement often seemed to reduce the playing area, cramping the action, which was made even more problematic by the presence of a gaping pit in the centre of the rear platform. In the first and last scenes, the pit was functional, as the crypt of San Yuste; but at other times it simply looked like a perilous trap for near-sighted singers, who had to skirt it while pretending not to see it.

Pizzi was also the producer, and he made several puzzling miscalculations. The second scene, meant to be a burst of *dazzling* sunlight after the gloomy cathedral, was shrouded in darkness; and, surprisingly, half the female chorus was costumed as nuns, who blithely joined in the singing. Unlikely behaviour for religious in the Spain of the Inquisition. The page Tebaldo (charmingly sung by Petrizia Pace, who was also the Heavenly Voice) lost his male garb, and his kinship with Oscar, to be dressed like an Edwardian lady. The auto da fé was unimpressive, and end of the opera, which almost always fails scenically, failed again.

Musically, results were more thoroughly enjoyable. In the course of rehearsals there had been a number of cast replacements, and this uncertainty *might have been responsible* for an occasionally tentative quality in the conducting of James Conlon, who still was able to expound the textual richness of the score. Mirella Freni was at her very best as Elisabetta, matched by an exciting young mezzo, Giovanna Casolla, as Eboli. The Carlo, Luis Lima, has a beautiful sound (nice clean vowels) and looked ideal; and his callowness from time to time seemed only to underline the youthfulness of the role. Piero Cappuccilli has lost none of his authority, and his Rodrigo was warm and moving.

On opening night, Simon Estes sang Filippo, but for the second performance—which I attended—he was indisposed and Bonaldo Giaiotti was the last-minute replacement. A veteran interpreter of the King, Giaiotti began well and, by the time of his big scene, continued in excellent form.

In sum, despite some flaws, this fast-paced *Don Carlo* was an enjoyable experience and a propitious inauguration of what promises to be a vintage Maggio year.

Cecile Ousset/Elizabeth Hall

Andrew Clements

Sunday afternoon recitals in the Elizabeth Hall have a habit of beginning 10 minutes or more late; this was an exception. Miss Ousset was her familiar business-like self, presenting the first half without leaving the platform and generally conveying the impression of efficient attention to the job in hand. The job in question was a trio of French works—Debussy's *Suite Bergamasque*, Fauré's C sharp minor Variations, Saint-Saëns' *Etude en forme de Valse*—and then Liszt's B minor Sonata.

It is several years since I heard *Miss Ousset give a* recital. What sticks in the mind from that occasion (and from others previously) was the absolutely certain technique, which did not deliberately draw attention to itself, and the quintessentially musical charm of everything she did. Much of her playing yesterday was dazzling; the Saint-Saëns *Etude*, *when it got up full steam, spun* its sequences of thirds and sixths *in immaculate array*, and the welters of octaves in the Sonata were purposefully drilled. But occasionally the razor sharpness was dulled and opacity crept over the textures.

When that happened, everything became just a little ordinary and lost the freshness one expects from her. The *Suite Bergamasque* found itself truly only in the finale; earlier it had been uneasy and lacking in poise. The Fauré alternated simple purity with impersonality and gathered together all its threads again only towards the close. And while there was a good deal of excitement generated for the Liszt sonata, it was not always directed towards cohesion and strength.

Conventional charm may be out of place in this work, but it would have given shape to the more reflecting episodes and made them interesting in their own right. As it was, they seemed mere pauses for breath before *the next round* of rhetoric.

Scott-Moncrieff Prize

The Scott-Moncrieff Prize, awarded for a book translated into English from the French language, has been given to Roy Harris, Professor of Linguistics at the University of Oxford, for his translation of Ferdinand Saussure's *Cours de Linguistique Générale*, published in hardback by Duckworth and paperback by Fontana.

The book is based on a course of lectures, given before the First World War in Geneva by Saussure, who was Swiss, and edited *posthumously* from *his* students' notes. In recent years it has come to be recognised as the crucial text for the study of linguistics and the *structuralist* movement.

London Galleries/William Packer

The painter as printmaker

The idea of the reproducible image, with all the possibilities of editioning and multiple sales that follow from it, has been seducing artists ever since the classic techniques of cutting, engraving and etching were first developed. The reasons might seem obvious enough but, in truth, are rather more subtle and indirect; for only the most cynical of artists would read them in terms of purely commercial opportunity, and even then, just so long as he engages himself directly with the chosen medium in some way at least, rather than consign all practical responsibility to a master-printer, the medium is sure to work its particular alchemy to make its product no mere reproduction but its own true print.

And at the other extreme there have been artists, some among the very greatest — Rembrandt for example and, in this case, Degas — who, drawn ever deeper into the mystery, have laid aside all thought of commerce to pursue it privately, and entirely for its own sake.

The point has two prongs, *rem furca tetigimus:* the practical engagement and the mystery. From the first touch, the realisation is forced upon the *artist that* each medium is utterly itself in character and quality, to be tested, stretched and even contradicted and abused, yet affording an expressive scope that is quite unique in its essential nature *of line, mark and surface. The* printed image might follow its preparatory reference almost exactly, but the necessary mechanical processes that intervene will transform it into something quite different, and not only in any obvious practical sense, in that one is now ink where the other was pencil, but in a most curious psychical way.

For the print medium, whichever it is, must remove the image from under the artist's immediate hand, and the mark he contrives to achieve is never quite the mark he himself has *made*. Such distance and distinction may be slight, but they are crucial: the plate inked, the paper laid on, and all put into the press as the cake is into the oven, and who knows quite what will come out? Speculation, even anxiety before the paper is peeled off at the other side, and always there is a qualified surprise at what is discovered. And there is the reversal of the image to accommodate imaginatively, just as with what we see in the mirror, which though so recognisable we know is not ourself.

These are thoughts about The Print in general, but they are also most particularly about Degas and his work as etcher, lithographer and monotype-maker. The Arts Council has brought to the Hayward Gallery (from tomorrow until July 7) the definite exhibition of his print *oeuvre*, and has gone even farther than its American colleagues in the enterprise by *augmenting* the complete run of etchings and lithographs that was shown in Boston and Philadelphia with a *small* but representative group of the monotypes, with a catalogue to itself (the principle catalogue, which is published by the Boston Museum, is already a standard work).

"Nude standing drying herself"—an 1891-92 lithograph in the Dégas Exhibition at the Hayward

Degas was a very great artist indeed, his work prolific, accessible and widely popular, and this even on the most superficial level, is a most wonderful exhibition. But to go on simply to reveal in the imagery, and marvel at his facility as a draughtsman, would be to miss rather more than the half of it. For here at once is a profound and scholarly exposition of the material, and a demonstration of this great artist most intimately and peculiarly at work. To get to grips with it at all at such a level does require a certain sympathetic curiosity and *basic* understanding of what is going on, if only in a general way.

Degas, however, was not at all a compulsive, nor even a regular, maker of prints: his practice was intermittent, with long intervals of neglect, and his production very small. Though he had occasionally shown pastel drawings that had been worked up upon a monotype proof, he kept his activity very private, his prints known only to the closest circle of his friends, and never publicly exhibited. Some 66 etchings and lithographs are known, of which there are *some* 400 impressions extant, and about 250 monotypes which again, with their variations, *amount* to about 400 in all.

The show is set out chronologically, starting with the earliest essays in etching of the 1850s, and finishing with the Bathing and Drying lithographs and miscellaneous fragments of the early 1890s, after which there was to be nothing more. At every point we are given successive proofs of each plate, as the image is teased and coaxed and tormented through its several states towards what one might expect to call completion. But with Degas it becomes clear that completion was hardly in his mind. It is in the nature of the print that it should carry its entire history implicit in its latest state; but at each point a proof may be taken that freezes the process, so that at *length* the *history* may be laid out, as it were, page by page.

For Degas, each such page has its own standing and integrity, equal if different to those before and after. Things come and go, detail accrues only to fade and disappear, images rise to the surface only to fall away, the whole building unending in potential but for the *last foul* bite of the acid pocking the *surface* of the plate. The slightest touch, the merest suggestion or half-idea fixed at the first state can be as beautiful and imaginatively complete as the last, that is *so* much more fully worked and resolved. All is experiment, brave, sometimes ruthless, but always closely considered for the sake of the image and the development of the idea, and always carried through with the utmost delicacy and finesse. We follow "Leaving The Bath," an etching of about 1880, through all of 22 states to the final ravaged, cancelled plate, which saga says it all.

The monotypes, even more than the more orthodox techniques, show Degas at his most free and adventurous; for whereas the etched line may be scraped out and tried again, or the mark on the stone scratched at or modified or rubbed away, with the monotype they must be taken at once or not at all. There is no incision or patch of grease to hold the ink time and again, but only the bare surface of the plate on which to lay the image direct. Here, the artist *lays the ink on thick*, there smears and blots it with finger and thumb. Who knows how the stuff will spread under the rollers' pressure, or how much be left to try a second, paler impression? There is no certainty, only an informed hope, and a clean plate to try again.

Many of the prints that Degas took in this free and unselfconscious way were later worked up in pastel as thorough-going drawings; and though only one of these technical hybrids is in this show, many more are reproduced in a magnificent new book, "Degas: Pastels, Oil Sketches, Drawings," by Gotz Adriani (Thames and Hudson: 403 pp, 269 illus—74 in colour: £35), which is as comprehensive and judicious an anthology as could be wished of such rich and extensive material. But hybrid or pure strain, the monotypes are exquisite, fascinating technically and offering in their tiny compass the full range of Degas' preoccupations—life caught off-guard in the moment of relaxation or expectation, in theatre, bar or brothel, or at that purely personal and universal moment of self-absorption, washing and drying.

A full life of the artist has coincidentally also appeared—"*Degas: His Life, Times and Work*," by the late Roy McMullen (Secker and Warburg: 517 pp, £18.50)—which is as admirable as it is exhaustive, treating even the trickier aspects of his character, such as his anti-Semitism and anti-Dreyfusard stance, with a scrupulous and reasonable objectivity. It is not a book to be had for its pictures, which are adequate only, but that is beside the point when there are such other opportunities and encouragements as these.

Any true interest in the *artist* as a man should lead us to his work, and this extraordinary exhibition should not be missed. Edgar Degas: The Painter as Printmaker shares the Hayward with the Hayward Annual, chosen this year by Nigel Greenwood, to which I shall return next week.

Songmakers' Almanac/Wigmore Hall

Richard Fairman

To most music-lovers the poet Eduard Mörike remains a shadowy figure. As a man, he is best recognised from his well-known silhouette, sporting top hat and umbrella; and his poetry, the sensitive and homely work that one might expect from a country pastor, is almost exclusively known from the settings made by one major composer, Hugo Wolf.

In the programme of words and music that he devised for the Songmakers' Almanac at the Wigmore Hall on Saturday, Graham Johnson filled out the picture a little more. He spared us the usual biography (for Mörike's life is said to be too uninteresting to warrant one) and gave us instead readings from the work of this humble man, who was obsessed above all else with the power of music. Once, alerted by a creaking gate, Mörike declared it was *squeaking* to the *strain* of Mozart's *Lo Clemenza di Tito*.

Strangely, the music in his poetry has attracted few composers. Graham Johnson, ever inventive, had searched out settings by Schumann, Brahms and Schoeck, but they proved to be minor offerings: the two Schumann pieces were unexceptional and Brahms' "Die Schwestern," a catchy folk duet, does not begin to touch the issues that make Mörike a poet of *substance*. For these one must turn to Wolf and music which penetrates the poetry's depth of expression.

These songs hold countless opportunities. Graham Johnson, on his best form, played them with a far wider range of dynamics, colours and emphasis than he might have dared in less inspired pieces. And in Sarah Walker he had a fitting partner, keen to show the variety held by these compressed, intensely-worked statements. "Um Mitternacht" seemed unusually dark and "Auf einer Wanderung," impassioned at its climax, was rightly a world in miniature.

The other two singers were constrained by comparison: Jennifer Smith, the soprano, by the chastity and coolness of her vocal technique, admirable as an effect in a song like "Das verlassene *Mägdlein*" but wanting romanticism elsewhere; and Richard Jackson by passing technical difficulties which compromised some otherwise sensitive singing.

King Oliver Centenary Concert

Kevin Henriques

Reaction to Saturday's concert at the Elizabeth Hall, celebrating the centenary of the birth of cornettist/bandleader/composer Joe "King" Oliver, would depend essentially on one's attitude towards the preservation of classic jazz and everything that minefield of discussion entails. British ragtime pianist Keith Nicols who, through his co-leadership of the Midnite Follies Orchestra, has already revealed his sympathies for the music of the 1930s, especially transcribed for the occasion 20 or so tunes associated with the 1920s music of Oliver to be *performed* by nine (sometimes ten) musicians, most of whom play in the Follies outfit.

The result, dependant on one's viewpoint, was either blithe exhilaration or thudding boredom. Those in the first category would have been elated by the familiar and mainly toe-tapping melodies and impressed by the skill with which they were interpreted by the musicians. The others would have been dismayed by the almost *religious observation* of the written scores by these musicians even, it seemed from Row R, to the extent of reading some of the solos. This extended to experienced singer Beryl Bryden who relied upon sheets for some of her contributions including the hardly rare "Someday Sweetheart."

Doublers such as myself, of this *well-meaning* concept of preserving classic jazz argue that no band or arranger or musician, however talented, can emulate the *feeling* of those early King Oliver recordings.

Further, no re-creation, however clever or inspired, can ever recapture the feeling inherent in, say, a Duke Ellington recording or even one by the Paul Whiteman band featuring Bix Beiderbecke. *To be* didactic, jazz must always contain that true *feeling* if it is to retain its unique identity.

Additionally, isn't it somewhat bizarre, and maybe ironic that an all-white band should be reproducing, from scores the (mainly) improvised music of the first recognised all-Negro group to record some 50 years after that music was created?

Perhaps this is too po-faced a view of a concert which set out to entertain its audience and remind them, on the actual centenary of his birth, of one of the *key figures* in *jazz*—Louis Armstrong acknowledged Oliver as his only major influence. As well as parading the familiar favourites from the 1920s era Keith Nicols also introduced some curiosities none more so than "In the Bottle Blues" with saxist John Barnes obliging percussively on partly-filled gin bottle. There was *formidable* unison saxophone playing in several places particularly on "Wa Wa Wa," Nicols and trumpeter Alan Elsdon combined for an unusual duo version of "King Porter Stomp" but for once Elsdon, deep under the influence of Henry "Red" Allen and, as ever, in good form, was eclipsed on his instrument by lively veteran Ben Cohen who all evening played a succession of bustling, hot choruses.

Yet the lingering doubt about such a project remains. The close adherence to the score clearly did impinge on the musicians' relaxation—"Sugar Foot Stomp," for instance, patently didn't stomp! Significantly the band was at its most relaxed on the encore number, "After You've Gone," not, I fancy, one of the Oliver transcriptions.

Tennstedt/Festival Hall

Richard Fairman

This concert, given on Sunday evening, was the last in the London Philharmonic Orchestra's schedule at the Festival Hall this season. They chose to open with Wagner's grandiloquent Rienzi Overture, a fitting reminder (if one were needed) that their principal conductor, Klaus Tennstedt, is the most Teutonic of all London's resident conductors.

Doubly interesting, then, the choice of Janáček's Glagolitic *Mass* as the main work of *the* evening. There are few German conductors who have made their mark in Janáček's music: Otto Klemperer was an early champion in the pre-war years, mounting the operas in Berlin *against* fierce *national* resistance, and Rudolf Kempe recorded the Glagolitic Mass; but other conductors in the central German tradition have only *rarely* taken the works into their repertoire.

Tennstedt's way with score is entirely characteristic. As in the German classics, he favours an orchestral sound dominated by rich, expressive strings and a crowning blaze of brass. The woodwind, so awkward to balance, had a rather raw deal, losing out to the low brass in those extraordinary chords during the orchestral introduction. But his urgency and full-blooded dynamism suit much of the work well, rising to ecstatic fervour at its climaxes.

It is difficult to imagine another composer *writing* religious music with such propulsive energy. Small musical ideas spawn with feverish activity, and there were moments in the congested pages of the Gloria and Credo when Tennstedt's *bulldozing* exuberance began to let the music sound incoherent. Voices, both solo and chorus, sang with fearless attack: Robert Tear seemed almost comfortable in the impossibly high tenor part, but all the soloists could have done with less volume in the orchestra.

In the first half, Radu Lupu found a milder Tennstedt as accompaniment for Beethoven's Third Piano Concerto. This was the work as early romanticism: its slow movement was especially sensitive, Lupu's rippling arpeggios so even in tone as to seem almost motionless against the woodwind themes. In the outer movements technical brilliance rarely dazzled, but always seemed at the service of a more modest poetic artistry.

Saleroom/Antony Thorncroft

Earliest of English

What is believed to be the earliest known piece of English writing to have *survived* has turned up at the Folger Library in Washington as part of the binding of a Renaissance printed book. *It* is to be sold to raise money for the Library's appeal fund and should fetch at least £50,000 at Sotheby's in London on June 25.

The two leaves of 7th century handwriting on vellum, written on both sides in Irish half-uncial script, were probably the work of an Irish monk in a Northumberland monastery. *The text is a Latin translation* by Rufinus of the "Ecclesiastical History" of Eusebius, Bishop of Caesarea, who was writing in Palestine around 300 AD.

The Venerable Bede made much use of this work of Eusebius, and it is possible that the uncovered manuscript was once in his possession. It was written 100 years before Bede composed his *history* of *the* English people.

This is the week when Sotheby's, Christies and Phillips set up shop in Geneva, selling, in the main, jewels, objects of vertu, silver, and all things costly and continental.

Christie's was first off the mark with three auctions on Sunday at the Hotel Richemond; with mixed results. The *major* sale, of art nouveau, art deco and bookbindings, totalled 2,330,801 *Swiss* francs, or £712,785, but 25 per cent was bought in. The top price was £74,000 paid for a stylish copy of "The Brothers Karamazov" by Dostoyevsky, published in Paris in 1929 by Editions de la Pleiade and *with* 100 lithographs by Alexandre Alexeieff.

A silver casket by Josef Hoffmann, with a panel painted by Carl Krenek, made around 1910, was way above forecast at £55,504, while a bronze and gold favrile glass lily table lamp by Tiffany sold for £31,957.

An auction of Swedish glass had its disappointments, with a total of £192,685 but 38 per cent bought in. The highest price was the £14,464 paid by an American museum for an *internally decorated*, applied and marquetry glass vase designed by Betzy Ahlstrom for Reijmyre around 1900, of which only three examples are known to exist.

The Christie's wine sale was the biggest ever *held in Geneva* and took three hours to complete. The top price was the £1,500 paid for a single bottle of *Mouton-Rothschild, 1946*. A bottle of 1805 cognac, from Napoleon's cellars, sold for more than £500 as did a bottle *of 1893* Chateau Lafite.

Cheltenham Festival of Music

The 41st Cheltenham International Festival of Music will mark the tercentenaries of Bach, Handel and Scarlatti and the centenary of Alban Berg, *as well as maintaining its* traditional role of commissioning works from British composers.

The *festival* will run from July 13-28. Four composers will be at hand to introduce their commissioned works: Graham Whettam, Robin Holloway, Richard Rodney Bennett and the Hungarian, Zsolt Durko, will talk about their new music. There will be a world premiere of *a* major new work by Russian composer Edison Denisov.

Opera Stage are mounting a new production of Handel's opera "Alcina," with an orchestra of period instruments conducted by Richard Hickox. The *director is Frank Corsaro.*

The Russian violinist Lydia Mordkovitch will perform Berg's Violin *Concerto with* the Hallé Orchestra under its new Polish Principal Conductor Stanislaw Strowaczewski. A cantata by Ravel, "Alcyone," will receive its first performance in this country, and so will Shostakovich's "Six Songs of Marina Svetayeva," one of his last compositions. It will be performed by the Swedish Mezzo Birgit Finnila.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 10–16

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: Sadler's Wells Royal Ballet season includes a triple bill, Sleeping Beauty and Swan Lake.

Sadler's Wells, Rosebery Avenue (2783916): Merce Cunningham season opens on Tuesday.

PARIS

Katya Kabanova in Brussels National Opera production conducted by Sylvain Cambreling. The Moravian composer's work on love and sin is given at the TMP-Châtelet (2334444).

WEST GERMANY

Berlin, Deutsche Oper: Manon Lescaut, sung in Italian, has fine interpretations by Raina Kabaivanska and Franco Taglavini. Pelléas and Mélisande returns to the programme and has Karen Armstrong and Harald Stamm as leads. (34381).

Munich, Bayerische Staatsoper: Ariadne auf Naxos is perfectly cast with Delores Ziegler, Anna Tomowa-Sintow and Kornelia Wulkopf. Elektra is of respectable standard with Astrid Varnay, Ingrid Bjoner and Sabine Hass. Un Ballo in Maschera is conducted by Guiseppe Patanè. Tannhäuser has Wagner specialists Janis Martin and Spas Wenkoff. Salome is steered to triumph by Astrid Varnay and Gwyneth Jones in the main parts. (21851).

NETHERLANDS

Dr Faustus by Konrad Boehmer, performed by the Netherlands Opera with the Broadcasting Orchestra conducted by Lucas Vis. The libretto by Hugo Claus is based on 15th-century written sources and presents Faust not as the tragic hero of legend but as a third-rate magician. Ernst Daniel Smid as Faust, Ton Thissen as his adversary, Abbot Trithemius, and Annett Andriessen as his mother. Directed by Charles Hamilton. Wed in Groningen, Stadsschouwburg (125845).

ITALY

Naples, *Teatro San Carlo:* Wozzeck with the Berlin Staatsoper (418266).

Bologna: Teatro Comunale: Gounod's Faust conducted by Alain Lombard and directed by Luca Ronconi with scenery and costumes by Pier Luigi Pizzi. (222999).

VIENNA

Staatsoper: The Barber of Seville; La Bohème; Die Meistersinger conducted by Schneider with Popp, Jahn, Weikl, Schreier, Moll, Prey; Der Rosenkavalier conducted by Stein with Leonie Rysanek, Fassbaender, Laki, Lotte Rysanek; Raymonda by Glazunov, Nureyev and Petipa, conducted by Schirmer, Aida. (5324/2655).

BRUSSELS

Théâtre Royale de la Monnaie: Capriccio by Richard Strauss conducted by Sir John Pritchard, directed by John Cox with Felicity Lott, Lenus Carlson, Eberhard Büchner and John Pringle; Doctor Faustus conducted by Lucas Vis (world premiere). (2172211).

NEW YORK

American Ballet Theatre (Metropolitan Opera House): Mikhail Baryshnikov and company, including Natalia Makarova, Cynthia Gregory, Patrick Bissell and Clark Tippet, dance a mixed programme from their eight-week repertory. Ends Jun 15. Lincoln Center (3626000).

WASHINGTON

San Francisco Ballet (Opera House). Mixed programme from one of America's liveliest dance companies. Ends May 25 (2543770).

A POISON PILL FAIRY TALE

Bigoil takes Raider to hunting lodge

BY TERRY DODSWORTH

SCENE ONE: A large penthouse office perched on the 25th floor of a giant downtown skyscraper, somewhere in the MidWest. The oak panelled room, furnished in deep pile carpet, with a giant executive desk, is lined with hunting trophies and model oil derricks. The telephone is ringing, and a large, bronzed executive reluctantly reaches over to pick it up.

"Bigoil here," he barks down the receiver. "Make it snappy."

"Morning Bigoil," the voice on the telephone replies, as mellifluous as a barrel of West Texas Intermediate, "No need to shout at me. This is Y. Lee Raider — you know, the guy they like to call the billionaire Wall Street raider—and I've some great news for you. We've chosen Oligopoly Oil for our next venture in share price enhancement."

Just for a moment, Bigoil seems uncharacteristically nonplussed. His mouth sags open and a strange pallor is detectable even through the deep tan he has worked up in the last two weeks, down at the company's Florida hunting lodge. But it takes him only a moment's reflection on his $2m a year salary, the corporate jets and the limos, and he is fighting mad.

"Look here raider," he roars down the phone, "you said in your SEC filing a month ago that you were buying our shares for investment purposes only. If you make an offer, we'll skin you alive for false statements."

"Go ahead and sue," replies Raider, with a chuckle: "Others have tried it, you know, and it didn't get them very far. If you want to keep us off your back you'll have to try something a bit better—like hard cash, for example."

"You're bluffing Raider."

Bigoil by now is calming down, thinking ahead with the guile that has seen him barge his way up from an oil rig roustabout to the chairmanship of Oligopoly via many a vicious boardroom battle. "You haven't got the ante. Who's ever heard of a $500m company taking over a $10bn giant like ourselves?"

"Oh! Come on Bigoil. Have you been out hunting for the whole of the past 12 months? Don't you know about junk bonds? Don't you know about leverage? Haven't you talked to any bankers recently? Every bank in the country is falling head over heels to back our junk now that their own Third World rubbish has been rescued."

Bigoil, of course, knows all of this. That's why he had slipped through a golden parachute provision at the last annual meeting to give him and his fellow board members a cool $2m apiece if the company were taken over. But he has been waiting for a timely moment to spring his surprise.

"*That's as may be*, Raider," he replies coolly. "But if you try anything on us you'll find what *it's like* to take a *real* poison pill. We've got a dose of pure undiluted arsenic waiting for you, my friend. Once you make a bid we'll keep you sitting there leaking out interest payments on all that junk for so long you'll wish you'd stuck to prospecting all your life."

Raider sighs wearily, projecting an almost palpable sense of boredom down the phone. "Not poison pills again," he moans. "I thought for a moment, Bigoil, you'd be a class opponent, not like all those *Ivy* League weaklings. But if that's how you want to play it, then off we go. You'll hear formally from us tomorrow." He bangs down the phone.

SCENE TWO: Three months have now gone by, and Bigoil is still sitting behind his mahogany table, as forbiddingly self-confident as ever. He has a smile of deep satisfaction on his face, which broadens into a hearty welcome as the door opens.

"Good to see you Raider," he booms as he leaps to his feet, bustling across the room to shake hands. "Glad you could make it. That was a humdinger of a battle, but *I* think we can both say we came out of it ahead in the end."

"Sure thing, Bigoil," replies Raider, his words flowing as smoothly as South Arabian light. "I've got to admit your pill was something extra. I never thought you would dare to borrow as much as you have, and those special warrants"—he smiled a little wanly—"well, it would have crippled us to buy them out if we had gone ahead with a full bid."

"Well, we had some good advice on those," replies Bigoil consolingly, "the best legal minds that money can buy. But your own tactics were pretty high-powered too. In the end we just couldn't afford to have you sitting there with your 10 per cent, rallying the fund managers, bringing the court actions and generally disrupting everything. We have to buy you out one way or the other."

"And very generous your proposals are too," replies Raider. "A 20 per cent premium is all that we could ask, and it's good sense to make the offer partially available to other shareholders as well. That way it looks much less like preferential treatment for us—not that it is."

He adds hastily, in his best public relations voice, "All along we've been acting for the general good of shareholders."

The hint of a smile flashes across Bigoil's face. He is not, he *thinks* to himself, a smooth talker like Raider, whose brilliantly successful Wall Street *forays are* partly dependent on his charismatic public relations.

But he, Bigoil, knows how to play boardroom power politics, and that's what has carried him through his battle. He realised *from* the start that Raider had a pretty good argument about the company's performance—*Oligopoly* was, as Raider argued, unquestionably in a process of self liquidation. It had abysmally failed to replace its reserves, and its exploration record made it look as though it had been pouring money down dry wells for the last 10 years.

But until Raider came along, no-one had seemed to bother very much. Now he will have to make Oligopoly change. Pity that he will have to dismember part of the company to pay off some of the debt, while virtually halting expenditure on oil exploration—he still has a soft spot for the bit of the company where he started. But in business, he reflects you have to take hard decisions, and at least he has proved that the company has a cast iron defensive system which will keep him in a job until he is ready to call it a day and collect on his share options.

"*There's only on thing that* worries me about this whole deal," says Raider, "and that's *the loss of jobs. You don't* think Congress might get onto this and stop it? You're going to have to cut pretty deep to pay back some of that debt."

"Now just you leave this to me," says Bigoil soothingly. "You don't seriously think that Washington under this Administration cares about a few workers who have been having it too good for too long, do you? anyway," he adds reflectively, "when I tell them that a closure or two will help to keep wages down at the next contract negotiations, they'll be eating *out of my hand*.

"And we won't be cutting as much as you might think, because the share buyback isn't as costly to Oligopoly as it looks. The employee shareholding plan we're using to borrow the money you know, is a wonderful thing—all allowable against tax."

Raider breaths a contented sigh of relief. "It looks as though we're all set up, then," he says. "I suppose some of those Leftist Congressmen will be jumping up and down in Washington complaining about the abuse of taxpayers' money and junk financing. And we'll have more hysterical Press talk about the need to stop both raiders and poison pills.

"But I have to say," he adds, adopting his lofty platform manner "that this is a wonderful example of capitalism at work. We're happy because we've realised a premium on our shares. Many of the shareholders are happy because they've had a windfall too and you're happy because you've kept your job. If the regulators stopped this sort of thing, who knows where it would end?"

"Amen to that," says Bigoil, shifting a little uneasily in his chair against this moralising onslaught: "Long live the free market. And by the way," he adds, with a sly grin, "how'd you like a week down at the hunting lodge next month? I think we both deserve a rest."

FINANCIAL TIMES SURVEY

Tuesday May 14 1985

HUNGARY

Attempts are being made to introduce more flexibility and competition into some areas of the economy as part of the government's reforms. Social issues such as inflation, poverty and the private sector are being debated openly as the younger generation of leaders emerges.

Janos Kadar: a statement of confidence

IN THIS SURVEY

Kadar's special brand

By David Buchan

"THIS MAIN political line in Hungary will last for a long time"—Janos Kadar in his closing speech to the March 1985 congress of the Hungarian Communist party.

The 72-year-old secretary-general of the party is clearly *confident* that Kadarism, that distinctive brand of market-oriented economic reforms mixed with some carefully-controlled growth in more open political debate, will outlive him.

Ironically, Mr Kadar's statement of confidence in the durability of his policies came just as social and political tensions, side-effects of the reforms, were bubbling to the surface, and younger party officials began to jockey for position in the eventual succession.

These uncertainties remain. But the party congress, a five-yearly and therefore major event in Hungary's political life, decided that there should be no major change in the reforms' direction, rather fine-tuning to reflect some of the complaints raised by the rank and file.

Thus, between now and 1990, there should be a "tangible rise in living standards." Real wages would rise, but not uniformly, in order to reward efficiency and skill. Social security allowances would be increased, state subsidies would be phased out slowly enough to moderate price rises, and the private sector would still be encouraged to develop within circumscribed limits.

Such sensitive issues as inflation, poverty, income gaps and the private sector, are being aired more openly as Mr Kadar and the authorities proceed with their cautious plans for political reform, in particular their effort to give the moribund parliament more life by requiring that every seat at next month's election be contested by two or more candidates.

This innovation has already led to some sparks flying as a few dissidents tried, and failed, to win a place on the ballot against official candidates.

Inside the ruling Communist party too, the same issues are being openly debated as the younger generation of leaders stake out their positions. The party congress may have set the main guidelines of policy for the next five years, but it will certainly not silence further discussion. In sum, Hungary's economic reformers, still very much in control, are having to work harder to sell their policies to the people.

Building on achievements

Taking a wider perspective, the Hungarian authorities evidently see no external reason to alter the pace of their reforms. They are confident the new Soviet leader, Mr Mikhail Gorbachev, is the man, if anyone can, to inject new dynamism into Comecon. But they are equally sure that his primary task of getting the Soviet economy moving again will take him a long time. In the meantime Hungary intends to follow Voltaire's advice and "cultivate its garden," building on past achievements.

The main achievement of the past five years has been to assure the country's international liquidity, when so many other countries have had to reschedule their debts. The turning point came in 1982 when, with its reserves down to danger level, Hungary entered the International Monetary Fund.

It slowly succeeded thereafter in regaining the confidence of Western lenders, to the extent that last year it borrowed more than $1bn on the international capital markets, the largest amount by any single Comecon borrower.

Unlike many of its neighbours, it has not succeeded in much reducing its hard currency debt, which stood at the end of 1984 at $8.9bn gross, or $4.5bn net.

But it does not feel the same pressures that they do, given that sources of new money are more open to it. These sources include the World Bank and perhaps soon its affiliate, the International Finance Corporation (IFC), which Hungary joined this month.

The debt burden may ease next year when Hungary will have repaid most of the short-term credits it had to snatch in its crisis year of 1982. To survive, it has had to effect a major turnround in its hard currency trade balance, from a $1.16bn deficit in 1978 to surpluses of $545m in 1983 and $600m last year.

The long haul does not end there. The Foreign Trade Ministry is hoping for a surplus of about $700m this year but at least no further major increases in the trade surplus are needed to service the country's debt. Thus, with all the special import curbs introduced in 1982 now lifted, any increase in exports can now be reflected in nearly comparable import increases.

Hungary's trade balance with the West is whet most bits the Western eye. Little known is the fect that the country has also faced a squeeze in its trade with the East.

Having been able in the early 1980s to run a convenient deficit (amounting to a de facto credit) of around 500m roubles a year with Comecon partners, principally the Soviet Union, Hungary found itself last year having to cut this to a deficit of 144m roubles.

In addition to righting this imbalance in rouble barter trade, the Soviet Union has also made it clear it does not want to go on paying in hard currency or hard currency goods for a large slice of the food it buys from Hungary. Thus, Hungarian politicians complain of facing a "double deterioration" in their terms of trade, with both West and East.

The domestic consequences of the country having to strain to boost exports and curb imports have shown up in higher inflation, lower personal consumption and investment. As Mr Ferenc Havasi, the Central Committee member responsible for the economy, frankly admitted to the party congress, living standards for most people fell as real wages dropped by 6-7 per cent in 1980-84.

Prospects for more growth

Last year saw some recovery as growth in net material product (roughly equivalent to gross domestic product but minus services) rose from 0.3 per cent in 1983 to 2.8-3.0 per cent.

The Government is hoping this rate of nearly 3 per cent growth can be sustained in 1985-87, and that after 1987 it may rise higher. For 1986-90 it is forecasting that consumption will rise 8-9 per cent in real terms, investment by 25 per cent and real wages by at least 0.5 to 1 per cent a year.

If these bopes materialise, it will be easier to continue with the structural changes the Government wants. One of these is to increase flow of workers from loss-making to profit-making companies.

Like every Communist country, Hungary is committed to full employment. But inevitably there are redundancies, some 5,000 of them last year.

This, however, is not yet enough to use up all the retraining funds which the Government has set aside to speed changes in the labour market.

There is now greater flexibility in the availability of capital to those companies which can use it efficiently. A minor, but intriguing, contribution to this is the new bond market through which a number of local government organisations and companies have raised money since 1983.

More important is the growing number of individual banks to which the would-be corporate borrower can turn, and shop around for the best terms.

This year the National Bank decided to separate its central bank function of bank of issue from its role as provider of commercial credit, and has set up two commercial banks, one for industry and the other for agriculture. This has already led to more competition by banks for deposits, bond issuance and leasing deals.

Another change is the attempt to give employees in state industry some of the same sense of direct participation that workers in the private sector or so-called second economy have in running their own businesses.

The Government, or Ministry of Industry, to be more precise, will continue to appoint managers to head the 100 largest companies and public utilities. But in about 1,000 companies, two types of new worker councils are to be set up, either to advise a Government-appointed manager or to elect that manager themselves.

So far, only 120 companies have introduced the new system, and the result has been that about 10-15 per cent of managers have been replaced. The casualties have been those considered by the workforce as outside "parachutists" from the Industry Ministry.

However, these attempts to introduce more competition and democracy into selected areas of the economy are not the sore points of the government's reforms. It is rather the two issues of inflation and income differentials which threaten to cause a popular backlash against the reforms, of the kind that happened in the early 1970s.

Hungarians bad grown more accustomed to price rises than other East Europeans, particularly because they could see that part of the trade-off was more plentiful stocks in their shops. Or so it was thought until this January, when the government raised prices on some foodstuffs, energy items and transport services.

Impact of price increases

The overall impact on the cost of living was small, less than 5 per cent. But, coming after several years of austerity and in a year in which some government ministers bad ill-advisedly promised marked economic improvement, it turned out to be one of the most unpopular price increases in recent times.

The strongest reaction came from the trade unions, which were particularly aggrieved that part of their sick pay allowances was simultaneously to be transferred to family allowances, in order to soften the price rises' impact on those with large families.

On the unions' behalf, a virtual ultimatum was delivered at the party congress by Mr Sandor Gaspar, the veteran representative of the unions in the Politburo, who demanded thet future price increases would have to be "better prepared."

Senior economic reformers, who still believe that Hungary cannot escape higher inflation as the cost of getting its prices into better balance with world levels, now acknowledge that prices will have to be raised in smaller instalments, and less by central government fiat and more through decentralised market mechanisms.

The more visible and sudden the price increase, the greater the political problem for the unions in having to pretend to go along with it.

The other political Achilles heel of the reforms is the gap that has opened up between rich and poor, or to be more precise, between the majority who live on relatively fixed income from state, industry or pensions and who lack the skills to take part in the "second economy," and the minority who have several jobs on the side or work full time in the private sector, running boutiques, restaurants, car repair shops and a variety of services.

These "new rich" are not numerous or even very rich by western standards; by one estimate they comprise some 10,000 people making about 50,000 to 60,000 forints a month (with relative purchasing power of around $2,000 a month) but they have come to attract disproportionate envy inside Hungary.

One way to reduce this tension would be to make it easier for the "new rich," who tend to spend their money on conspicuous consumption, to invest in expanding their businesses. But such expansion quickly bumps up against ideological constraints; to prevent "capitalist" exploitation of labour, private businesses can only employ a maximum of 12 people, including family members.

So the "new rich" are to be taxed more efficiently. The problem here is that, as in all Soviet bloc countries, the tax system is in a state of ropey disuse, and the government says it will be 1987 before it can introduce a proper tax on overall incomes.

Hungary 2

Agriculture: high in Europe production league table

HUNGARY'S agricultural officials grow rather annoyed when comparisons are drawn between their country's highly productive farming sector and the less prosperous agriculture in some other Comecon countries. What interests them is how Hungarian agriculture compares with the most advanced farming nations in Europe.

Using even this yardstick, Hungary has come a long way. In the 1950s Hungary was in 17th place in per capita production of important farm products. Today only Denmark has a higher per capita production of grain while Hungary is in first place in output per person of pork, poultry, eggs and apples.

Average yields of wheat and maize are close to the top of the international table. This year Hungary plans to produce 15.4m tonnes of grain, its second harvest in excess of 15m tonnes.

Agriculture is the leading sectoral hard currency earner and last year made up 23 per cent of total exports and one-third of hard currency exports to bring in $900m. Mr Ferenc Szabo, deputy minister of agriculture, says proudly that this was a substantial contribution to Hungary's foreign trade balance.

In fact, 3 per cent agricultural growth annually has far outstripped other sectors of the economy. Hungarian agriculture, which currently feeds 10.6m people and exports 25 per cent of gross production, should be able to feed 20m people in another 15 years with the necessary investments, according to Agriculture Ministry projections.

Part of the secret behind this steady growth is the close co-operation between the collective farms, with an average size of 4,100 hectares, and the private plots of up to half a hectare, which are tilled by collective farm members and retired people.

They contribute 14.6 per cent of farm output while the garden plots worked by town dwellers provide another 18.2 per cent of total production. Together the small plot holders supply 50 per cent of pigs, 22.5 per cent of beef and 74 per cent of chickens.

In recent years some 42 per cent of the profits made by the agricultural co-operatives — as the collective farms are known —has come from their sidelines: small-scale industrial production, repairs and services.

Mechanisation

The sidelines were begun in order to provide work for farmers in the off season but with growing mechanisation they became a prime source of income for many villagers. They also enabled farms on poor quality land to turn a profit.

Last year, though, the soaring trend in the side operations of the collective farms was halted as fewer orders were received from industry while the economic work associations presented increasingly serious competition. As a result farm profits fell and work forces had to be cut by 20,000.

Another dampener on profitability of agriculture and the food processing industry has been falling export prices and the difficult access for Hungarian foodstuffs to EEC markets because of high tariffs and low quotas. The answer is being sought in production of higher value products and further rationalisation.

Meat remains one of the biggest hard currency earners. Last year Hungary exported $500m worth of meat and meat products, 35 per cent of it to Comecon where the Soviet Union was the main buyer.

Mr Laszlo Ranky, deputy general manager of Terimpex, the foreign trade company exporting meat, poultry, fish and dairy products says peak exports of $900m were achieved two years ago while sales fell to $730m last year, because of poor markets and the strong dollar.

"Right now there is 1m tonnes of surplus beef in Europe and we feel the intensified EEC competition in our markets."

Hungary's newly cultivated markets for beef and sheep in the Middle East have also been affected by the decline in oil revenues. Seeking some gain from the strong dollar, Hungary sold 15,000 tonnes of canned ham in the U.S. last year, worth about $40m, a doubling of sales in five years.

Last January, the first shipment of salami left for the U.S. after the U.S. Agriculture Department approved Hungarian slaughtering facilities. Terimpex hopes the U.S. market for Hungarian salami may one day exceed that of West Germany, for a long time the main buyer of its products.

Even when export markets decline and prices drop, Mr Ranky notes, Terimpex pays farmers firm prices for beef, pork, poultry and rabbits.

"We must give our farmers financial security," he explains, "because if they stop producing, they stop."

Exports of Hungarian frozen fruits and vegetables have also declined in recent years, according to Dr Bela Gulyas, general manager of the Hungarian deep freezing industry.

This year's target for hard currency sales however has been raised by $1m above last year's results to $21m and buyers, especially the West Germans, Swedes and British are said to be showing renewed interest in high-quality Hungarian frozen foods after the harsh European winter.

Another important food exporter, the Hungarofruct foreign trade organisation, is being hard pressed abroad and at home. An over-supply of fresh fruit and vegetables in the EEC has hurt Hungarian exports to third markets. This, plus the strong dollar, led to a fall in Hungarofruct's sales of $16m to $60m last year.

Hungarofruct's role as the sole exporter of Hungarian fresh produce has been ended by government-backed competition from other foreign trade companies established by producers.

"Everyone seems to think they were cheated by the monopoly company," says Dr Tibor Nemes, deputy general director of Hungarofruct.

Dr Nemes says that unfortunately the new exporters have linked up with the same buyers in the West to whom his company sold.

"We have 11 fresh produce exporters now and this acts to depress prices," he explains. "But they fail to realise they are causing more damage than good."

The existence of competing foreign trade companies, Dr Nemes says, was especially harmful in fresh produce exports to the EEC which he notes should be controlled by one company.

"If we over-supply and go beyond our quota, we will be levied. But if we have four or five companies supplying the EEC we do not know which one is doing the over-supplying," he says.

Leslie Colitt

Trading house system pursued

TRANSELEKTRO, a leading Hungarian foreign trade company which deals in power engineering and household electrical products, aims to become Eastern Europe's first trading house.

Mr Miklos Kozma, General Manager of Transelektro, is the driving force behind this development which also includes two other foreign organisations — for textiles and consumer goods — as well as the retail chain, Skala-Co-op.

Mr Kozma notes that until recently his company along with all foreign trade organisations worked as commission agents for producers. It was in charge of exporting their products and importing what they needed for production.

Transelektro, in competition with Western and Comecon companies, needs to co-ordinate Hungarian companies producing transformers, boilers and generators by organising consortia to quickly offer turnkey projects for tender. This however to quickly offer turnkey proremains on a commission basis and Mr Kozma says the need for his company to have access to its own working capital for financing is now urgent.

"We need our own capital to mix with bank credits and to create competitive financing for our projects in the developing countries and the West," he says.

His company is also active in production of electrical household appliances for Western European countries which have to be supplied in the shortest possible time.

"We want our factories to be able to shift quickly to supply Western markets and also to produce for the home market and Comecon. This increases the need for us to have our own comercial capital," he explains.

The company also needs long-term financing for research and development — for example the instrumentation of process control equipment for nuclear power stations. But acquiring capital means the pertinent regulations must be changed by the government which he has been actively lobbying.

The changes will enable a foreign trade company to set aside up to 10 per cent of annual turnover for capital formation (Transelktro had sales of $515m in 1983).

The heavy tax burden on companies is being lightened somewhat this year and Mr Kozma said he was hopeful that taxation will be further shifted from the producer to the consumer so that his company can accumulate more working capital.

Is the concept of a trading house not at odds with the trend towards decentralisation in Hungary's foreign trade?

Mr Kozma said it is not, as this business form is suited to a company such as Transelektro while other sectors of the economy might be better served by smaller exporters.

At the beginning of this year some 250 Hungarian companies — conducting 20 per cent of total foreign trade — had obtained foreign trade rights. Half the foreign trade turnover of the engineering industry is now handled by the producers while virtually all shoe exports, 80 per cent of clothing and 100 per cent of pharmaceuticals sold abroad are handled by foreign trade partnerships between the producers.

One 15-year-old company, Interco-op, which was granted foreign trade rights in 1981, specialises in seeking foreign partners who want to sell licences and production methods in Hungary and are prepared to buy back part of the output or other Hungarian products.

The company's deals have included repairing vintage cars for foreign owners and exporting wrought iron door and window decorations for an American company. It also supplies Hungarian pilots to fly agricultural aircraft in the Near East.

Another enterprising Hungarian foreign trader, Hungagent, purchased the licence for a compact electric motor invented by an Australian engineer and exhibited a few years ago at the Hanover Fair.

Leslie Colitt

Hungary's convertible currency trade

(US$m)

	1978	1979	1980	1981	1982	1983	1984
Exports	3,206	4,259	4,943	4,885	4,953	4,996	4,907
Imports	4,372	4,622	5,034	4,957	4,508	4,451	4,308
Balance	−1,160	−363	−91	−72	+445	+545	+599

1984

(in millions of Hungarian forints)

	Imports	Exports
Energy	25,121	31,256
Materials	116,053	82,309
Machinery	22,129	25,078
Consumer goods	19,479	28,946
Agriculture and foodstuffs	24,884	69,287
	207,687	236,876

Source: Ministry of Foreign Trade

Eager for more links

MORE THAN any of its Eastern bloc neighbours Hungary is eager to establish greater trading links with developing countries — notably with the Middle East and North Africa.

These efforts have had mixed results despite the Hungarians' desire to establish good relations with radical and conservative states alike.

For example, exports to conservative Saudi Arabia — with which Hungary has no diplomatic relations—have grown by more than 25 per cent but it still has no imports from the kingdom. In contrast, exports to Algeria, with which it has very good relations, declined although imports rose considerably.

Overall, trade with the developing countries fell by about 12 per cent last year although it still accounted for about 12 per cent of Hungary's total trade turnover. Trade with the Middle East and North Africa, which accounts for about 60 per cent of its exports to and about 40 per cent of its imports from developing countries, fell even more. It was down by over 17 per cent from about $1.47bn in 1983 to $1.2bn last year.

The decline of trade between Hungary and the Middle East is attributed to falling demand from some of its Middle Eastern clients because of tighter budgetary control reducing capital expenditure on major projects. This is partly true although Hungarians will admit that tougher competition is making it a good deal harder to win contracts in the region.

Nonetheless, the greatest decline was registered in Hungarian imports from the region which in turn tends to depress exports in markets eager to balance their trade. Hungary's imports fell by almost 24 per cent from $630m in 1983 to $480.9m last year. By comparison Hungarian exports fell by only 13 per cent from $835m to $726.8m last year.

The fall in imports was most spectacular with Libya—down 42 per cent from $369m in 1983 to $215.4m last year. Imports from Iran—down 13.5 per cent to $172.9m and from Iraq—down by more than half to $7.4m also fell, partly because of the Gulf War which also affected Hungarian exports to the two countries.

Exports to Iran fell by about half to $88.5m and to Iraq by about 30 per cent to $119.5m.

Libya remains the most important trading partner in the region with total trade worth $299.9m, followed by Iran ($261.4m) and Algeria ($199.8m).

The fall in imports from Libya was due mainly to a strong decline in Hungary's crude oil imports. According to Wharton Econometrics, in 1983 Hungary bought 1.6m tonnes of crude oil from Libya valued at $361m, mostly for re-export to the West for hard currency which was then used to finance other Hungarian imports.

Hungary's oil imports from the Middle East declined by more than 40 per cent and this may chiefly account for the decline in imports from other countries of the region.

Patrick Blum

Hungary 3

David Buchan and Leslie Colitt give keynote profiles

Economy chief at Politburo

Havasi: forthright leader

FERENC HAVASI, 56, who started his working life in a cement factory, has become a political heavyweight in the Politburo (which he joined in 1980) as perhaps the country's leading proponent of economic reform and a possible successor to Mr Kadar.

Significantly, his designation as central committee secretary responsible for the economy in 1978 coincided with the reintroduction and acceleration of economic reforms in that year.

As the reforms have come to stir social tensions about price rises and widen the gap between rich and poor, so it has fallen principally to Mr Havasi to absorb much of the political heat—a task he tackled forthrightly at the party congress in March.

Like Mr Kadar at the rostrum before him, Mr Havasi candidly admitted that while the Hungarian authorities had succeeded in their primary aim of maintaining external solvency — while some 50 countries had had in the early 1980s to reschedule their debts — living standards at home had fallen.

But, to the surprise of some delegates and observers, he then went on to puncture a number of "well-intentioned revolutionary illusions," that socialism was necessarily immune from fluctuations in living standards, knock-on effects of crises in the capitalist world, nationalism and anti-semitism, and so on.

This outspoken style is not exactly Mr Kadar's, though he clearly tolerates it. It is, however, increasingly matched by other younger high-fliers.

Luckily, Mr Havasi had good grounds for assuring Hungarians this spring that their general economic lot should be better in the next five years than in the last, with national income set to rise 2.5 per cent to 3 per cent a year in 1985-87 and perhaps by more in 1988 and after.

But he also has an acute appreciation of the dilemmas, particularly for a communist country, that lie ahead. He recognises that while price rises must be made "socially tolerable," equally "we cannot guarantee that the reforms will be inflation-free."

Indeed to get a well-established price system, he says "we need some increases." Repayment of Hungary's debt, as well as worsening terms of trade with both West and East, put inflationary pressure on the economy. So, too, does the phasing out of State subsidies for companies.

As for the growing gap between rich and poor, Mr Havasi says "we must pursue a parallel policy — increase pensions for the old and allowances for those with large families, and at the same time introduce a progressive tax system which bears hardest on the richest."

At present, Hungarians pay tax on some parts, but not the whole, of their incomes. "We will be requiring individuals to make a statement of their general income," says Mr Havasi, but tax changes will take time. Hungarians' "tax morality," never strict, has got worse over the past 40 years, he admits.

"We do not want to reduce incentives in the private sector," he says. No special taxes directed at the "second economy" are planned, beyond the 10 per cent surtax imposed earlier this year on associations of private producers.

At the same ime, no major expansion of the private sector is in prospect. He says: "It would be politically difficult to defend" a lifting of the current manpower ceiling that allows up to 12 people, including family members, to work in a private business.

D.B.

Export specialist

Veress: trade expert

MR PETER VERESS is very much the specialist, having spent most of his career, apart from a spell as ambassador to Paris in the late 1970s, in the Foreign Trade Ministry, which he has headed since 1979.

But the 57-year-old Trade Minister appears broad-minded about the minor revolution going on in the way that Hungary organises its foreign trade, and tolerant of the teething problems.

In the old days, companies had to export their wares through whichever of the 43 foreign trade organisations was the designated monopoly trader in their field. Now, to promote greater export vigour through competition and to link producers closer to foreign end-users of their products, companies are free to switch from one organisation to another, to use several simultaneously, or to use none and seek their own foreign trade rights. Some 260 companies now have such rights.

"Obviously, the 25,000 managers and salesmen working for these 260 companies can see more of the world than the 5,000 working for the 43 foreign trade organisations," says Mr Veress. "New enterprises can stumble in the early days, but this very broad reorganisation is bearing fruit and we don't want to take a step backwards."

He argues, however, that it is counter-productive if Hungarian producers compete simultaneously to sell exactly the same product to the same foreign market, particularly where very strong foreign competition exists. It is therefore likely, the Minister says, that stricter control on trade rights in such major items as wheat, meat, and fuels will be introduced later this year.

The need for a stepped-up export effort is all the greater because Hungary's recent trade improvement, leading to a $600m hard currency surplus last year, contains what the minister calls certain structural weaknesses and instabilities.

D.B.

Shoes success

HOW DOES a Budapest shoe company sell women's fashion shoes in the United States, when Hungarian tanneries cannot provide it with the high-quality leather needed?

Answer: It buys kidskin leather in Italy, and makes the shoes on Italian lasts using West German machinery. The final product is then sold in the U.S. under the upmarket brand name Innocence.

Mrs Judit Simek is general manager of the Mino Shoe Company. Mino sells some 500,000 pairs of shoes a week —worth $38m annually to the Innocence company in Boston, along with 250,000 pairs to the UK and West Germany.

By Hungarian standards, she has done the impossible —changing styles as quickly as any manufacturer in the West, and offering each shoe style in several colours.

All this has been achieved since 1979 when Mrs Simek was appointed to run the company by the Ministry of Light Industry. In that year, Mino did not have any exports to the West but was a major supplier to the Soviet market which is still its largest foreign customer.

Mrs Simek's goal, however, is to sell one-third of the company's production to the West, which would entail a doubling of exports.

While nearly all East European shoe companies compete in the West at the lower end of the market, Mrs Simek realised this would be suicidal. Her strategy from the start was to trade up.

She learned the shoe business as an apprentice in the Mino factory in the early 1950s and worked afterwards in the cutting and stitching rooms. She gained a diploma as a skilled worker and later studied business at the university.

"The best schooling though was the factory," Mrs Simek says. She spends a minimum of 60 hours a week at the plant and as a result declares: "My hobby is shoes."

The company's success is reflected in the bonuses it pays to both management and employees which she says "are as high as the law permits."

L.C.

Hotelier on target

ONLY A few years ago the prospect of an Hungarian hotel being chosen as European Hotel of the Year seemed as likely as the country's football team winning the World Cup but that was before the Forum Hotel Budapest was completed in 1981.

Last December it was named European Hotel of the Year for businessmen by a Brussels-based trade magazine during the world travel market in London.

The magazine staff noted that service was first class "from check in to check out."

Dr Akos Niklai, general manager of the hotel, says he did not even aim to make the Forum the best in Hungary, although it is helped by a choice site on the Danube embankment facing Buda Castle and the Chain Bridge.

"In my personal opinion," he says, "this is not a de luxe hotel but an excellent four-star hotel."

Many businessmen prefer to stay four star so that they can show their accounting department how much they had saved.

Dr Niklai, 39, runs the Budapest Forum in the way the country's economic reformers can only wish Hungarian companies would be managed. The hotel is noted in Budapest, he says, for its discipline and tight control of staff by their immediate superiors.

Chambermaids who are given as much as a piece of soap by a guest, must report this to the Housekeeper, who has to give her permission before the gift can be accepted. The liftboys' superior holds an evaluation meeting with them at least once a month and each employee is given periodic policy and statistical goals.

"All this brings in more guests," he explains. "We can pay higher salaries and the staff gets more tips."

Although the Forum is generating 50 per cent more hard currency than expected, Dr Niklai says he has to convince the hotel's owner Hungar Hotels that in order to meet the profit target he has to constantly spend money on maintaining the Western furnishings and equipment.

L.C.

Willing publicist

SINCE THE launching of Hungary's economic reform, Dr Gerd Biro, the perapatetic general director of the Hungarian Chamber of Commerce, has been explaining how the reform works to occasionally sceptical Western and Eastern managers and officials.

As head of the Chamber's information section since 1969, he has been charged with telling the world about the fast-changing Hungarian economy.

"I'm a kind of mixed grill," he notes, "a political economist and publicist."

In recent weeks, Dr Biro gave a lecture to Business International in Vienna and spoke in the Hungarian Information Centre in Paris. Then he was off to Milwaukee for a round-table discussion with American businessmen on joint ventures in Hungary.

This was followed by a lecture in Munich at the East European Institute and another at the city's Chamber of Commerce.

Dr Biro's bilingual background is an important asset in his dealings with Hungary's two main trading partners, West Germany and Austria. He was born in Berlin and spent his childhood there.

He says: "My memoirs will begin 50 days after Hitler's takeover, when I was a small child in Charlottenburg."

After receiving his doctorate in economics from Budapest University in 1962, he spent three years as First Secretary of the Hungarian Embassy in Vienna and was then made deputy chief of the Foreign Ministry's press section.

One of Dr Biro's jobs is to edit the magazine he founded in 1970, Marketing in Hungary, which presents the views of Hungarian economic and trade specialists and gives Dr Biro the opportunity to clarify some new aspect of the economic reform to his readers.

Despite the repeated mention in Hungary of the need for it fully to become part of the international division of labour, he notes that Hungarian companies have but few close links with the world market—only 30-odd joint ventures exist with Western companies.

L.C.

Hungary 4

The industrial sector's manufacturing skills are earning hard currency in the West, says **David Buchan.**

Seeking more exports

Engineering

THE CURRENT pressures on Hungarian engineering and machinery-making companies to offset a slack domestic market with new business in the fiercely competitive foreign market, is aptly typified by KGYV, the industrial furnace specialist.

Over the years KGYV has diversified into other heavy engineering products and expanded into a company with 3,500 workers and seven plants and annual production worth $60m.

Mr Laszlo Gajdos, KGYV's foreign trade director, explains that, though only 10 per cent of production was sold abroad last year (half to Comecon and half to the rest of the world), the company is very keen to increase this proportion.

KGYV'e mainstay has been, and still is, manufacture of new furnaces for the steel and aluminium industries, and the maintenance and refurbishment of existing blast furnaces.

However, KGYV's market has suffered, partly because of problems in foreign steel and aluminium industries and partly because of reduced world demand for the company's speciality which is electric arc furnaces ranging from two to 70 tonnes capacity.

One of the few remaining steady purchasers of such furnaces was neighbouring Romania, but even there economic problems have now reduced demand.

Mr Gajdos admits that electric arc furnaces use a lot of energy, and are relatively noisy and polluting, but "this technology cannot be avoided in at least some part of the steel industry such as mini-steel mills." However, because the world fashion is swinging towards induction furnaces so, too, is KGYV, which is now producing its own induction furnace.

At present, the company is focusing its selling efforts on the Far East in particular, he says.

A more recent KGYV product line, developed within the past five years, is steel structures for industrial halls and buildings. Domestic demand has slumped, with the decline in new investment and construction, though this is now likely to pick up in the new Five Year Plan (1986-90) period, and Mr Gajdos is confident that construction of a further stage of the Paks nuclear power plant will bring more domestic work.

West Germany and Scandinavia have proved the company's best markets in this area, but KGYV has had to try to beat off strong competition here from Polish and East German industry, which with state subsidies has been able to undercut KGYV on price, but not, says Mr Gajdos, on quality, service and delivery.

The strong dollar, however, has helped KGYV keep its prices down and win considerable business for the distinctive "grasshopper" oil pumps it sells to the U.S.—a profitable side line to the company's usual activities.

Moves towards further hi-tech co-operation within Comecon.

Set for improvement

Electronics

THE NEED to upgrade the Hungarian electronics industry is on everyone's lips, from top politicians to all these who have to struggle with the domestic telephone system.

Hungary has won a reputation for some of its consumer electronic products and the calibre of its computer software programmers, but still feels the quality of its industrial electronics leaves much to be desired. But, supported by preferential credit terms and with a close eye on the opportunities for Hungary in Comecon specialisation programmes, the industry looks set for improvement.

The home leader in computer hardware is Videoton, renowned internationally for its factory football team, but which also exports 70 per cent of its production, according to Mr Otto Molnar, head of the Videoton Industrial Foreign Trading Corporation. Fifteen per cent of these exports go to the West, and the bulk to Comecon (35 per cent of total foreign sales to the Soviet Union alone).

Mr Molnar says 90 per cent of Videoton's import needs are covered by Comecon countries, and only 10 per cent come from the West. He stresses that the socialist countries want to become more self-sufficient in electronics, particularly in view of Western export restrictions which, he admits, have left Hungary temporarily bereft of the opportunity to buy a new sophisticated telephone system.

But greater self-sufficiency is is possible, given the success of Comecon programmes which have led Hungary to specialise in smaller computer systems of between one and four megabytes, peripherals, display and printer units, floppy discs, and remote data processing equipment.

Investment costs in semi-conductors are high but, Mr Molnar says. Comecon co-operation helped Hungary start making the integrated circuits in 1982. Since last year's Comecon summit which stressed the need for further hi-tech co-operation between member states, Hungary has also been awarded a role in making industrial robots.

Another leading company, Orion, is reorienting its production to try to challenge Videoton's long lead in computers and industrial electronics.

In a recent Press interview, Orion's commercial director, Mr Sandor Gemes, said his company was now sharply expanding its "professional electronic product" line (hitherto 45 per cent of total output), while arranging barter deals with Japanese companies to maintain the quality of its consumer electronics.

Meanwhile, Hungary, like other Comecon countries, is denitely in the market for mini-computers, which as a result of the recent revision in Western hi-tech export rules, have become easier to acquire from the West. Novotrade, a recently-formed venture capital company, is for instance organising the leasing inside Hungary of some 3,500 Commodore computers bought from the UK.

Production of Ikarus buses in Budapest. Ikarus is a big user of Hungalu's aluminium

Efficient key supplier

Aluminium

A SIZEABLE contributor to Hungary's hard currency trade surplus last year was Hungalu (the Hungarian Aluminium Corporation), which boosted convertible currency exports earnings from $149m in 1983 to $168m, while keeping its hard currency import bill to about $26-28m.

Dr Ervin Ernest, Hungalu's commercial director, says the surge in exports was a very conscious effort to capitalise on high aluminium prices which started 1984 at about $1,500 a tonne, but have fallen substantially since then.

Equally, the expected slowdown in the U.S. market, on which Hungalu focused after meeting complaints — quite unjustified, says Dr Ernest — in 1982-83 that it was dumping aluminium foil in the EEC, is likely to reduce Hungalu's export growth this year.

But Hungalu remains a key supplier to such parts of domestic industry as Ikarus buses, and the refrigerator and white goods sector, as well as supplying some components to Western carmakers (General Motors, Volvo, Fiat), an activity which would greatly increase if Hungary were ever to set up its own car assembly plant.

Hungalu virtually is the Hungarian aluminium industry. But unlike other monopolies or quasi-monopolies which were horizontally integrated and are now being broken up by the government to create greater competition, Hungalu's structure is being left untouched. This is because its vertical integration is considered to promote efficiency.

Hungalu has 16 member enterprises, with activities ranging from bauxite mining, to smelting, to research, to foreign trading (since 1982).

The proportion of exports differs with each stage in the production process. Bauxite is one of the country's few mineral endowments, and 3m tonnes are mined every year and there are 50 years of proven reserves.

Bauxite exports are negligible but two-thirds of alumina, the next stage in the refining process, is exported, mostly to the Soviet Union which returns some of it as aluminium.

Some 10-20 per cent of the aluminium is sold abroad, while the rest (about 200,000 tonnes a year) is made into semi-finished or ready-made products.

More overseas orders

Medical equipment

THE POOR impression that a Westerner might get of the Hungarian health system is due to state under-investment in the past — Budapest has just acquired its first new hospital since the second world war—rather than the skills of Hungary's medical equipment industry, which are considerable.

The market leader is Medicor, which accounts for 80 per cent of the country's total medical equipment manufacturing, and smaller companies like Gamma Muvek accounting for the rest, seven factories, and annual turnover worth $150m (70-75 per cent of production exported). Medicor claims to be the 10th largest medical equipment maker in Europe, West and East, and the largest in the Soviet bloc.

Mrs Sylvia Madai, Medicor's commercial director, says that a manufacturing tradition, making X-ray machines and dating back to the start of the century, has been helped by specialisation agreements within the Comecon countries.

Thus, as a result of its Comecon market, Medicor is now, she says, the largest maker of standard baby incubators in the world, helping it build up substantial production of such diverse products as surgical hand instruments, microprocessing techniques in medicine, hospital furniture and blood analysers.

There are many Western manufacturers, Mrs Madai recognises, with a more sophisticated medical product line. Medicor's aim, she says, is to provide equipment to cover basic needs, equipment to treat the main illnesses, and equipment which can be easily handled and serviced.

The company has its own R & D institute with 800 engineers and technicians, and only 10-15 per cent of its products are made under foreign licence, such as ultra sound scanners from the Netherlands.

Medicor exports are evenly split between Comecon and the non-communist world. Mrs Madai says marketing Medicor goods in the developed West is very expensive, but X-ray machines, for instance, have done well in the U.S. when fitted with some U.S. components.

Medicor claims to be able to supply from its own production line up to 40 per cent of all equipment needed in an average general hospital of, say, Hungarian standards. Indeed in recent years, it has become a turnkey equipper of general hospitals, of up to 200-300 beds, in such countries as Uruguay, Jamaica, Nigeria, Jordan, Iran and Sri Lanka.

PROFILE: SKALA CO-OP

Department store sets the pace

SKALA-CO-OP, a ten-year-old co-operative department store chain, has eclipsed the state-run stores to become Hungary's leading retailer.

Founded by the country's nearly 300 consumer co-operatives—in which some 3m Hungarians hold shares—Skala-Co-op had a turnover of only Forints 1bn in 1976 from its sole department store in Budapest.

Last year, its 64 department stores, of which only four are wholly owned and the rest franchise, had sales of some Forints 28bn ($549m) and profits of Forints 1bn. By comparison, the state department store chain, Centrum, has 50 stores and a turnover last year of Forints 10bn.

The aggressive newcomer is managed by Mr Sandor Demjan, Budapest Communist Party committee.

Seated in Skala-Co-Op's main office under a portrait of Lenin, the company's foreign trade director, Dr Istvan Hauck, noted that Skala earned 2.1 per cent on its sales, compared with 1.8 per cent for the state chain, because Skala's purchasing was considerably more efficient.

Add Skala's diversifications, he said, and it was even more profitable.

In tune with the country's economic reform, each Skala department store is financially and managerially independent, while wages, technology and amortisation are still centralised.

Skala-Co-Op is planning soon to grant complete independence to its member stores, and will merely set an annual overall profit margin. The individual stores already decide whether they want to buy their domestic products from Skala-Co-Op's central wholesale unit or from other suppliers. They can buy imported goods from any foreign trade company they wish.

Last year, Skala opened the most modern department store in Hungary, the Skala-Metro in Budapest, as well as Eastern Europe's first hypermarket, the Skala-Sztrada, on the main road between Budapest and Vienna.

Skala-Co-Op has developed close ties with the Konsum Co-Op Society in Austria purchasing food and consumer goods for cash and compensation goods. It also actively barters products with department stores in other East European countries.

Last year Skala-Co-Op entered the budding Hungarian bond market and sold Forints 136m worth of its bonds to individuals and companies in three days. They pay 11 per cent interest, compared with 7 per cent paid by the National Bank for three-year deposits. A loan from the National Bank would have cost Skala 13 per cent interest.

Flush with cash, Skala plans to buy up state-owned shops, which are no longer competitive, such as beauty salons and tailor shops, and to convert them into a chain of men's and women's clothing stores. It also wants to open ten do-it-yourself stores, along the lines of the Bauhaus company in West Germany.

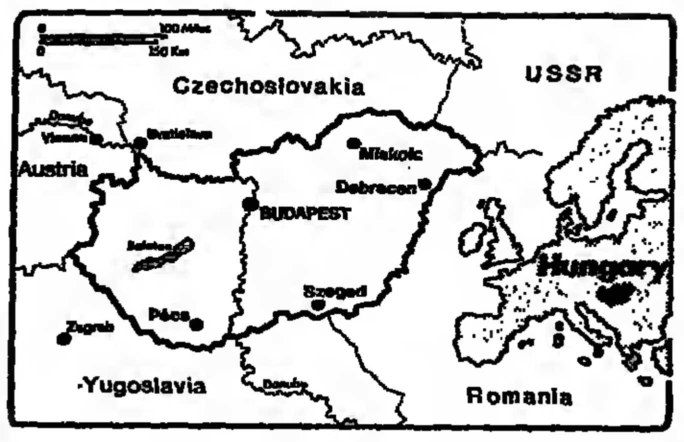
The hypermarket chain is to be expanded along highways throughout the country. Skala has its eye on food retailing, as well, along the lines of the West German discounter, Aldi. The existing state chain of ABC food markets are without any image, Skala executives note, and could become far more profitable.

Skala would also like to open hi-fi stores and a "Europa shopping centre" in Budapest, complete with a hotel offering package tour visitors from the West lower prices than the luxury hotels.

Only last month it set up a trading house to deal in food products, textiles, and technical consumer goods. A Skala subsidiary has a joint venture with companies in the Arab world to exchange products and technology, and a joint venture with a Swiss company to import slot machines, which are found throughout Hungary.

Leslie Colitt

Hungary's National Assembly building in Budapest: the neo-Gothic building is on the Pest side of the Danube. Below: the Festival of Horsemen on the Csmaia Plain, central Hungary



Flood of Western tourists brings $265m in hard currency

HUNGARIANS, whose foremost trait is not excessive modesty, have long insisted that Budapest is one of the most vibrant capital in Europe—West or East. This claim is fast gaining credence among visitors to the Hungarian capital, who are arriving in record numbers.

Up to 80 per cent of the tourists in Hungary visit Budapest and Lake Balton, to the south-west, central Europe's largest (and shallowest) body of water. This concentration of visitors in the capital has been met with a hotel-building programme, which has seen seven new hotels built in recent years with very high standard accommodation but too few medium-category hotels.

Filling this breach are several renovated older hotels opening this year and more to come. There are also 28,000 private rooms—from basic to more comfortable.

The boom in tourism and business travel to Budapest enabled the four-star Forum Hotel last year to provide 50 per cent more hard currency to the National Bank than was needed to meet the annual repayment of schillings 120m for the Austrian loan used to build it.

At the same time, Budapest was unable to cope with a flood of young tourists from Eastern and Western Europe, lured to the capital by word of its gaiety They slept on park benches and in railway stations until the city last June opened the Saturnus camp ground for them—free of charge.

Twenty-two thousand young travellers grabbed the offer which is being renewed this year at a nominal charge.

Tourism ranks second only to agriculture in Hungary as a hard-currency earner. Last year, income from the 3.5m Western visitors to the country (19.6 per cent more than 1983) amounted to $265m.

The 9m visitors from Eastern Europe, up 31 per cent, contributed 341m transferable roubles. The hard currency surplus meant that 24 per cent more money was available for trips to the West, which were made by a record 625,000 Hungarians last year, 12 per cent more than 1983.

The largest group of Western tourists to Hungary, the Austrians, do not even require visas. However, only a third of the 1.9m Austrians were tourists, while most of the rest were day-trippers to Hungary, especially to the border city of Sopron, where more German is heard in the streets than Hungarian.

Thrifty Austrians come over to buy spectacles, have their teeth fixed, and to dine on Hungarian specialities. They also bring home carloads of fresh produce, meat and other reasonably-priced staples.

The next largest group of visitors consisted of West Germans, of whom 687,000 were tourists, whose average stay in Hungary was nina days.

Many of the West Germans (as well as Austrians and Americans) come for spa cures at the elegant Thermal Hotel on Budapest's Margaret Island in the middle af the Danube and the newly-built Aqua and Heviz hotels at a hot spring near Lake Balaton. There were also large increases in visits by the Italians, French and British.

The rush to provide suitable accommodation for Westerners, however, has led to some projects—such as the sprawl of cottages being built by Danish and Austrian firms on beautiful Tihany Peninsula at Lake Balaton—which threatened to destroy their environment.

Similarly, commercialisation of the artists' village of Szentendre, near Budapest, may eventually repel more visitors than it attracts.

As befits their common border, tourism relations with Austria are the closest Hungary has with any Western country. Visitors to Vienna from third countries are able to pick up a sightseeing permit for Budapest at demand, which allows them to spend a day in the Hungarian capital. Last year, the Hungarian OTP national savings bank and Penta Tours of Vienna formed a joint company based on the idea that it is easier to sell two European cities than one.

Some 26,000 Western tourists used OTP-Penta Tours to come to Hungary, while 3,500 Hungarians travelled with it to the West. Some of the trips to 30 Western countries were sold for forints, others for the $300, which Hungarians can obtain for forints every three years to travel to the West.

Holiday packages were also sold for the hard currency which Hungarians may have at special bank accounts.

Hungarians travelling to the West have an ever-widening choice of destinations they may book at home. A co-operation agreement between Budapest Tourist and the Austrian affiliate, Neckermann Reisen, offers Hungarians "white elephant" tours. They are only told the region where they will be going and a possible departure date, and the exact details are given only four weeks ahead of departure. This flexibility means considerable financial savings for customers.

Since 1968, the state monopoly of tourism exercised by Ibusz has been gradually whittled down. As a result in few sectors of the economy is there as much competition as in tourism.

At the recent Travel '85 exhibition at Budapest Fair grounds, dozens of new travel companies vied for business, while nearly all Western European Government travel affices and airlines had stands. One agency, called Co-Op Tourist of Budapest, offered a forint 570 ($11) trip to Czechoslovakia, as well as a forint 160,000 ($3,200) two week trip to the U.S. and Canada.

Mr Miklos Walko, deputy manager af Ibusz, says Hungarian tourism has reached the point where no company, no matter how large, can handle it alone. Ibusz's share of incoming and outgoing tourism is equal to all the other travel agencies combined ($300m in sales last year), and it would like to keep this ratio, he remarks, although this may prove to be difficult.

"All the newcomers want to get a piece of the existing pie instead of carving out a new area," he says.

Mr Walko notes that Ibusz is attempting to bring about "orderly competition" by reaching an agreement with its competitors on an end to price-cutting. His company was reorganised this year to give greater independence to local branch offices so that they could compete more effectively with the new travel companies.

Ibusz also wants to acquire its own hotel properties and has signed an agreement with Hungar Hotels for a 50 per cent share in two hotels being reconstructed in Budapest.

Similar joint ventures exist with Pannonia and Danubius hotel chains to build new hotels, which will be managed by the chains and marketed and promoted by Ibusz.

Leslie Colitt

Films more successful abroad

I'M NOT sure in which English play someone remarks that the "in" thing to do is to watch a Hungarian film in Bognor Regis or some such place, but as things go, this probably says more for the popularity of Hungarian films in the West than any statistics can.

Success abroad, however, does not necessarily mean large audiences at home. Many Hungarian films do very well in the West, winning numerous awards — the most important was the Oscar for the Best Foreign Film of the Year awarded to Istvan Szabo's "Mephisto" in 1982.

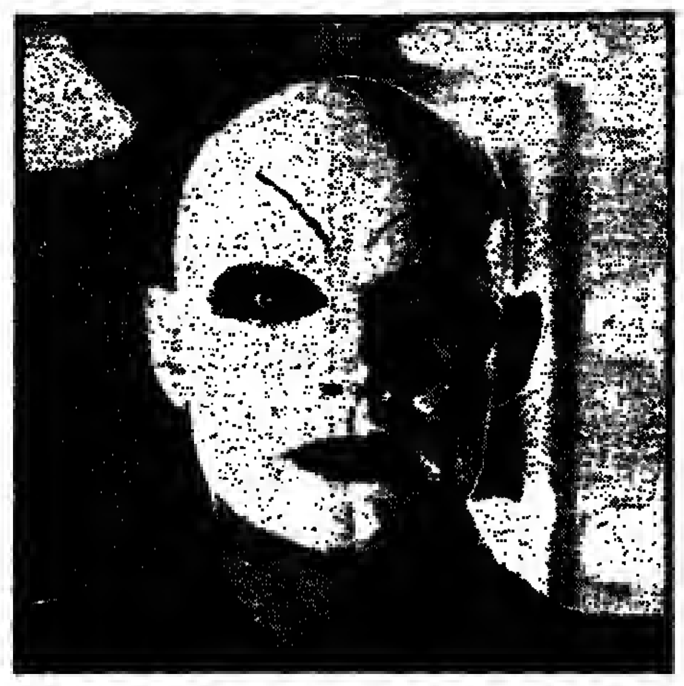
But the general trend of these films has often been rightly or wrongly questioned in Hungary, not by the authorities, but by the general public, even by some of the critics, who seem less fascinated by their own film industry.

Gone are the days of the 1960s when the showing of Miklos Jancso's "Round-up" Andras Kovacs's "Cold Days" or Zoltan Fabri's "20 Hours" was almost a national event containing an element of self-searching and defiance to official dogma. Admittedly in the last few years attendances for home-produced films have been showing a marked improvement again.

A greater variety of films are made nowadays, with a number of full-length documentaries and semi-documentaries containing some very hard social criticism and several arty and experimental films, thanks to a reasonably favourable political climate, and a state-subsidised film industry which does not have to be so conscious of the box office.

The most easily-appreciated films both at hame and abroad are those which try honestly to sort out the problems of the past, especially the 1950s, films which try to find some straight or abstract explanation for Hungary's political development and identity, often not in accordance with the official view of the same subject.

These include, for example, Marta Meszaros's "Diary for my Children," a prize-winner in Cannes last year, Peter Gothar's "Time Stands Still," Pal Gabor's "Angi Vera," Peter Bacso's "This Witness," and Pal Sandor's "Daniel Takes a Train," to mention some of the films set in the fifties, and the television showing of Sandor Sara's film about the Hungarian Army fighting on the Russian Front in 1942.



Klaus Maria Brandauer in the Oscar-winning Mephisto

The search for this identity goes back to the last century, too. Laszlo Lugossy's film "Flowers of Reverie," which won a main prize in Berlin this year, takes place after the failure of the 1848 revolution, as does Judit Elek's "Mary's Day."

Aside from the accomplishment and technical skill of Hungarian film makers, there are other factors which must contribute to the popularity of Hungarian films. There is na doubt that Hungary occupies a unique place in the East Europeon political spectrum at the moment. This naturally brings with it a wider interest in its films which have a reputation for reflecting Hungarian life—whether past or present—in a very forthright way and covering a range of sensitive issues.

Astute policy

Another reason for this success must surely be the astute policy of the organisers of the Hungarian Film Week, an annual event to which about 100 film critics from all over the world are invited to come and view the previous year's entire film output (18 to 22 full-lenght films).

This is not a selling parade and it does not have the trappings of an international film festival. It is more like a working seminar, where the critics can judge the films before returning to their own countries to write them up—in this way giving far more effective promotion to the films than any amount of paid advertising could do.

The outstanding film of this February's film week was Istvan Szabo's beautifully made "Colonel Redl," which is based on the life of a man who rises from a humble background to become head of counter-intelligence in the Austro-Hungarian monarchy just before the outbreak of the First World War.

It is Hungary's entry for Cannes this year and has already been sold to all the more important film-buying countries, including Britain.

So, in business terms, the film week must contribute greatly to the fact that income from the sales of Hungarian films abroad far and away exceeds the royalties paid for films purchased in the West, though the number of these is by no means negligible. Among the 77 Budapest cinemas in one recent week, for instance, there were no fewer than 33 British and American films to choose from, ranging from "Tootsie" to "Lady Chatterly's Lover," from "Life and Death Marathon" to "Another Time, Another Place."

The income from film sales goes towards production costs. The film industry may be largely state-subsidised, but the subsidy remains static, while costs are continually rising. So the trend may well be to go in for an increasing number of international co-productions as a means of easing financing problems.

Elisabeth Windsor

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Shultz in the Middle East

IT IS now nearly six months since King Hussein of Jordan pleaded with the Palestine Liberation Organisation to co-operate with him in order to seize what he described as "the last feasible chance" to secure a Middle East peace settlement.

The positive, if qualified, Palestinian response came in February with the announcement from Amman that the King and Mr Yassir Arafat had agreed on a joint negotiating stance aimed at securing an Israeli withdrawal from the West Bank and Gaza Strip and the establishment of a confederation between the liberated territories and Jordan.

President Hosni Mubarak of Egypt then proposed that en route to the international peace conference under United Nations auspices—as suggested by King Hussein and Mr Arafat—a joint Jordanian-Palestinian delegation should first holds talks with the U.S. Administration. Sadly, what had seemed a process which contained the seeds of Arab flexibility has become bogged down over the issue of who will speak for the Palestinians.

Mr George Shultz, the U.S. Secretary of State, says he may have made some progress towards resolving the issue during his four-day trip to the Middle East which concluded yesterday. Yet from his public statements and the attitude of other State Department officials there appears to be continuing reluctance to engage the U.S. more vigorously in the quest for a resolution of the Palestinian issue.

U.S. pledge

While such caution is understandable, especially from Mr Shultz following his failure to deliver the May 17, 1983, agreement between Lebanon and Israel, it may also prove ultimately damaging for U.S. interests in the region. Mr Mubarak and King Hussein, two of America's closest allies in the region, sincerely believe that the moment is ripe for progress, not least because Mr Arafat has been persuaded, in the absence of a military option, to pursue the diplomatic path to a settlement. They also enjoy the tacit backing of the Gulf countries, headed by Saudi Arabia, and of Iraq, formerly the most hostile of the "rejectionist" Arab states.

The most moderate members of this loose alliance need quickly to demonstrate to the more radical Arab states that negotiations will achieve more for the Palestinians than nearly four decades of war. They believe their successes are already considerable. The peace treaty between Egypt and Israel has survived, the Arab summit at Fez all but accepted Israel's right to exist behind its pre-June 1967 borders, and the PLO mainstream has privately accepted that the days of the armed struggle are over.

In short, there is real opportunity for exploring further the principle enshrined in UN Resolutions 242 and 338—that of exchanging land for peace. But for that to be achieved the Arab states reasonably insist that representatives of the people most intimately involved, the Palestinians, have to be a part of the negotiating process.

All the Arab states still recognise the PLO as the sole legitimate representative of the Palestinian people and it is probably fair to say that it also enjoys majority support among those 1.2m Palestinians living under Israeli occupation. If talks are to be held with Palestinians there must be a high degree of probability that they will be with supporters of the PLO. Indeed it would be self-defeating to negotiate with Palestinians who were not representative.

The U.S. Administration considers that it is still bound by Mr Henry Kissinger's pledge to Israel not to talk to the PLO until it has renounced violence and accepted Israel's place in the Middle East. However laudable, if untypical, it may be of an Administration to adhere so loyally to the commitments of its predecessors, such a stance risks ignoring what are undoubtedly changed circumstances in the Middle East. The least the White House should now do is let it be known that it will not inquire too closely into the allegiances of those Palestinians put forward by King Hussein and Mr Arafat as part of the joint delegation.

The alternative is to allow the efforts of King Hussein and President Mubarak to peter out through lack of encouragement. That would be seen in the Arab world as acceptance by the U.S. of the status quo and therefore de facto annexation by Israel of the West Bank and Gaza. A peace process—indeed almost any peace process—must be preferable to the tacit admission that the only way the Arabs can possibly resolve the Palestinian issue to their satisfaction is through force.

This is precisely the argument advanced by the Palestinian opponents of Mr Arafat, by the most radical Arab states which have close links with the Soviet Union and, increasingly, by Iran. It is in the longer-term interest of the U.S. and Europe to counter such arguments. A start could be made by listening to those Palestinians who wish to talk.

First light on the JMB affair

MORE THAN seven months after its forced rescue of Johnson Matthey Bankers, the Bank of England is at last in a position to put a figure to the losses incurred through its imprudent lending, and to announce a capital reconstruction which should make it possible to restore JMB to private ownership before long. It is some measure of the wilder rumours which have been circulating that the final provision of £245m comes almost as a relief—though this is an outrageously large loss to have been incurred by a relatively small bank. The terms of the capital reconstruction suggest that the net burden on public finances from the rescue, after the total loss of the former equity capital, should be relatively modest. With that out of the way, the questions can begin in earnest.

Those concerning what happened at JMB will be answered, in part at least, quite soon. The Bank of England's narrative of events will appear in June or July and the Chancellor will report the main findings of the review committee set up after the collapse. Full publication, which would involve tiality and cover matters which might be involved in future legal proceedings, is not intended. This is understandable, though major defaulters must not be enabled to hide behind the Banking Act.

What Parliament and the financial community will want to know is how it was possible for so small a bank to incur such a spread of liabilities, and on such a scale, as to threaten the system at large, and so necessitate a rescue—and what is being done to prevent any possible recurrence. This touches on prudential management of the system as a whole, as well as the law and practice of supervision of individual banks.

It seems fairly natural that the Bank of England, which is charged with the task of supervision and was profoundly embarrassed by its failure in this case, should itself have mounted the subsequent inquiry. But the public may feel that to leave the Bank as sole judge *in its own cause is inadequate.*

Without attempting to prejudge the report, we must repeat our view that the present relation between auditors and supervisors cannot be left as it is. Auditors who suspect that something over-risky is going on can at present do little beyond warning the management concerned; a public announcement of their doubts would be too destructive. They ought to tell the supervisors of the doubts; at present they are forbidden to do so.

The report should also give a frank judgement of whether the Bank of England is at present equipped either in manpower or in expertise for detailed supervision of a rapidly growing and deregulated banking system.

The most fundamental question concerns the vulnerability of the system. The JMB rescue suggests that the inter-bank market in deposits, which is normally regarded as a source of flexibility and efficiency, has grown to a point where it is a potential source of weakness. *More weight should perhaps be* attached to the attendant risks, since interbank lines can rapidly generate very large individual exposures, in defining capital adequacy.

The British habit of rescuing failed institutions, with the aid of pressganged lifeboat crews, does little to encourage the real safeguard against crises—proper management of exposures by the commercial banks themselves. The Bank of England's public rejoicing at the flood of new floating-rate loans, largely to be held by overseas banks, as a source of capital for UK banks, suggests the stress will all be on better official supervision, with its implied promise of rescue in hard cases. A system managed cautiously enough to survive the failure of one or two small members would be less of a supervisory headache.

After the UK Budget

Why it pays dividends to pass on profits

Clive Wolman looks at the way pension funds are distorting companies financial decisions

THE WAYS in which companies use their profits and finance their expansion are likely to be transformed by the decision of Mr Nigel Lawson, the Chancellor, in this year's Budget to abandon his programme of tax reform in mid-stream.

The pension fund managers' success in beating off the threat to their tax-exempt status will have a major, but unintended knock-on effect on corporate finance and tax policy. This arises because of the ability of pension funds, as the owners of nearly half the shares on the UK stock market, to reclaim the corporation tax on company profits which are paid out as dividends.

In effect, the tax reforms introduced in the 1984 Budget, but not followed up in 1985, will allow companies to reinvest their profits almost free of corporation tax by passing them through the tax shelter provided by pension funds.

According to Sir Kenneth Bond, vice-chairman of the General Electric Company (GEC): "The whole operation of reclaiming tax puts the spotlight on pension funds and their tax position. I believe it is only a matter of time before there will be some form of taxation on pension funds."

For more than half a century managers of companies have resisted pressures from their shareholders to pay out more of their profits by arguing: "If we increase your dividends, we increase your taxes."

For most of that period, the company managers have been right. The tax system has given companies strong incentives not to distribute their profits as the dividends would be taxed at their individual shareholders' top marginal rates. By re-investing profits, the companies have allowed their shareholders to take their returns in the form of lightly taxed, or untaxed, capital gains.

Thus retained profits have been the most important source of finance for company investment: with borrowing coming second and issues of new equity third.

The Conservative Government in 1973 introduced a partial imputation system of corporation tax to reduce this bias in favour of retained profits. But the reform was largely undermined by the introduction of stock relief and the first-year 100 per cent capital allowances on purchases of plant and equipment, which companies could offset only against the corporation tax on their undistributed profits. This meant that a company which adopted too generous a dividend policy might be left with insufficient mainstream corporation tax against which to set all its Advance Corporation Tax (ACT) and capital allowances.

A study currently being conducted on tax and distribution policy by three researchers from the Institute for Fiscal Studies, an independent think-tank, suggests that in 1981-82 over half of all quoted UK companies were unable to offset the full ACT on their dividends against their mainstream corporation tax liability. In other words, most UK companies suffered a tax penalty by paying out dividends.

In the 1984 Budget, Mr Lawson set himself the task of removing some of these biases when *introducing* his corporation tax reforms. The old rules, he said, "served only to distort investment decisions and choices about finance."

The most important changes were the abolition of stock relief and the first-year 100 per cent *capital allowance, which* removed a major constraint on dividend policy. Mr Colin Meyer, an economist at St Anne's College, Oxford, who is one of the IFS researchers, has calculated that as a result of the tax changes, by 1990 only 23 per cent of UK companies will be "tax exhausted" i.e. they will have interest deductions and capital allowances in excess of taxable profits.

Another, more fundamental, change has been taking place in the tax position of UK company shareholders as a result of the growth of pension funds. Twenty years ago, pension funds (and other tax exempt institutions) owned less than 10 per cent of the shares of quoted UK companies. At present they own slightly over 40 per cent (including the tax-exempt portion of life assurance company mixed funds).

The growth in the assets of pension funds, now valued at about £135bn or 15 per cent of the nation's total wealth, has been promoted by their tax privileges. In fact the increasing control of UK companies by pension funds is expected to accelerate at the expense of the (tax-paying) life assurance *policy funds following* the Chancellor's removal of premium relief last year. This left pension funds an unrivalled form of tax shelter for long-term savings.

Such changes cast doubt on the Treasury's forecast in the 1984 Budget that the corporation tax reforms now coming into effect will not reduce the *yield to the Government from* the tax. The Treasury's assumption was that, although the rate of corporation tax would fall from 52 to 35 per cent by 1986, the removal of 100 per cent capital allowances and other concessions will require most companies to start paying tax at close to the full rate.

This estimate overlooks the *extent* to which pension funds can reclaim the corporation tax paid by companies in which they own shares. Even in 1983-84, the amount of corporation tax reclaimed by pension funds was as high as £1bn, or about one-fifth of the total corporation tax raised. By 1986-87—when corporation tax will be 35 per cent—the yield to the Government from companies in which pension funds have large stakes will as a consequence of stakes will be far below 35 per *cent of their profits as a consequence* of the partial imputation system.

A company which distributes all its profits as dividends under the post 1985-86 tax regime will have to pay only 5 per cent mainstream corporation tax on those profits. The remaining tax will be paid in the form of ACT deducted at source from *the company's dividend payments*. In the case of a company owned entirely by pension funds, all the ACT can be reclaimed — so that the overall corporation tax yield will be cut to 5 per cent.

For the last two years, UK companies have distributed only about 37 per cent of their historic cost profits in *dividends. The Government would* suffer a further shortfall of tax of at least £1.2bn a year if this proportion were increased to, say, 80 per cent, as a result of ACT reclaims by pension funds. To raise capital to finance investment, companies would then have to resort to more frequent issues of new equity or bonds.

In fact UK companies over the past eight months have turned increasingly to rights issues as the *long-term post-tax costs* of servicing debt has risen because of the cuts in the rate of corporation tax. The money raised by equity and near-equity issues in the first 4½ months of this year is already close to £5bn.

Traditionally a major constraint on high dividend payments has been the influence of those individual shareholders who are *higher rate taxpayers* (and often the company managers also). As far as they are concerned, the tax system favours retained profits over distributions. But higher rate taxpayers' shareholdings in quoted companies, currently around 10 per cent of the total (an estimate from Inland Revenue statistics), have been *declining* as *rapidly* as the shareholdings of pension funds have increased.

The other category of UK company shareholders — the basic rate taxpayers — is made up of less wealthy individuals and, more important, insurance companies, unit trusts and investment trusts. When they receive dividends, they can *neither reclaim the ACT nor* do they pay any further tax.

This makes their income tax position neutral between distributions and retentions.

The accompanying chart, which is based on figures compiled by the IFS researchers, shows how the fiscal bias has shifted from being against dividend distributions in the 1960s to being strongly in favour now.

The interests of shareholders as a whole — on tax grounds at least — now point strongly in favour of a policy of maximum distributions.

But the interests of shareholders and managers do not necessarily coincide. "The old proprietorial instinct is usually at work," says Mr Michael Newmarch, chief executive of the Prudential Assurance investment managers. "The managers say: we will hold these funds as we know the best uses of them. Shareholders may well have been supine far too often in this context."

The National Association of Pension Funds investment committee, has no policy on corporate dividends. But according to GEC's Sir Kenneth Bond: "Our institutional shareholders tell us that they do not like surprises. The actuaries are conservative and want to know what income is coming. You would have erratic dividends if you wanted to keep up with changes in profits and working capital."

But are the pension funds able or willing to exert pressure on companies to increase their dividend payments?

Investment managers accept that company managers should sometimes use dividends to *signal to investors* that their company's prospects are improving (a dividend hike) or deteriorating (a cut). But institutional investors may often play a more active role.

According to Mr Clive Gilchrist, investment manager of the Postel pension fund, the UK's largest: "Pension funds have a strong preference for income from their shareholdings and they are tending towards more active involvement in company management decisions. But they like to exert their influence quietly. You get more honesty behind closed doors."

Most fund managers agree that their influence is also transmitted via stockbrokers who analyse the companies and pass on their views to the managers. A company's stock market share price is the ultimate test and discipline on company managers—and the share price should be boosted by a more tax efficient use of profits leading to a rise in post-tax earnings (after adjusting for ACT reclaims). Indeed, a strong case can be made for analysts to rebase their calculations of a company's post-tax earnings.

Mr Tom Hayes, investment manager of the ICI pension fund, takes the argument one stage further. "We like high distributions and frequent rights issues because it puts everyone to a market test as to whether they deserve more capital," he says.

But there are other objections to a company distributing nearly all its historic cost profits as dividends, not least from nervous banks and other creditors.

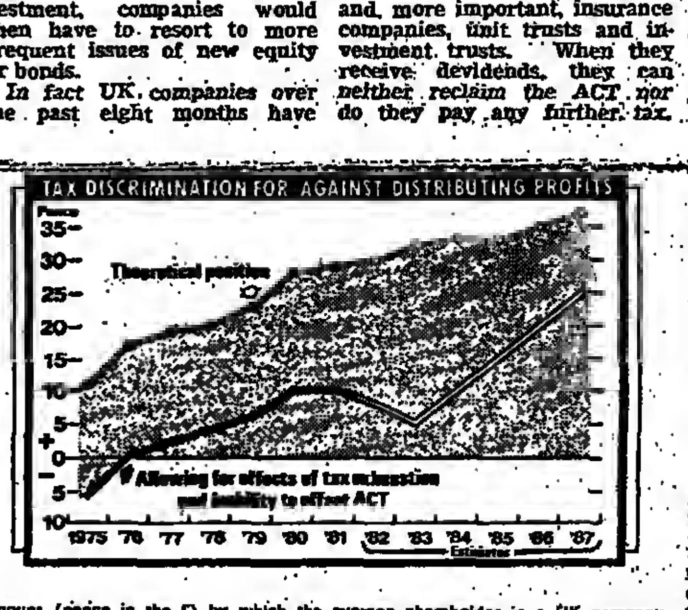
Nevertheless, the IFS study, using data from 1960 to 1981, has established that company finance directors are prepared to alter their dividend policy in response to tax changes. They estimate that a 10p cut in the tax cost of distributing £1 of dividends will lead to a 3.4p increase in gross dividends.

FROM 1965 to 1973, a company's distributed profits were subjected to double taxation. Firstly corporation tax had to be paid on all the profits and then shareholders had to pay income tax on the dividends they received out of those taxed profits.

The partial imputation system introduced by the Conservative Government in 1973 looks through the structure of a company to its ultimate owners. Part of the corporation tax paid by the company is deemed to have been tax *on the income of its* shareholders.

Before distributing their profits, or part of their profits, as dividends, companies are obliged to deduct at source Advance Corporation Tax (ACT) at a rate of 30 per cent (which is equal to the basic rate of tax). Their shareholders are then deemed to have paid basic rate income tax on the dividend income they receive. Basic rate taxpayers are thus not required to pay any more tax, 60 per cent taxpayers pay another 30 per cent and pension funds (which are exempt from all income tax) are allowed to reclaim the 30 per cent ACT.

On these profits not distributed as dividends, companies pay "mainstream" corporation tax at the full rate. There is no imputation of this tax to the shareholders.



Amount (pence in the £) by which the average shareholder in a UK company was better (+) or worse (−) off, if he subscribed £1 a new equity and received gross dividends of £1 in return.

Men and Matters

Parayre's *tunnel vision*

Jean-Paul Parayre, the former chairman of the French private Peugeot automobile group, who stepped down last autumn to *make way* for banker Jacques Calvert, has not lost his taste for industrial projects on the grand scale.

He was one of the architects of the expansion of Peugeot into a major European volume producer through the acquisition of Chrysler's European assets.

The expansion proved ill-fated, however, and ultimately cost Parayre his job at Peugeot.

He then went to work for his father-in-law who owns Dumez, one of France's largest international public works and construction companies.

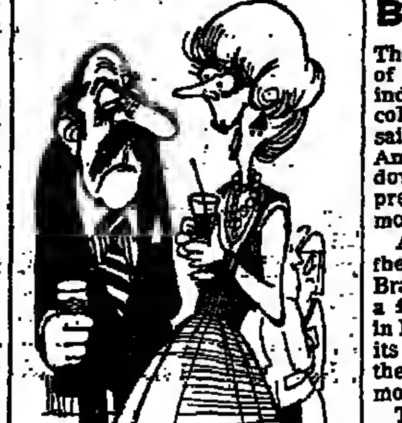
Parayre, aged 43, has now been made chairman of a consortium of leading French construction companies which are linking with the British Channel Tunnel Group (CTG), on its proposal to build a twin-bore tunnel.

The British companies include Tarmac, Wimpey, Balfour Beatty, Taylor Woodrow, and the National Westminster bank.

The French group includes Dumez as well as Bouygues, Spie-Batignolles, SGE, SAE-Borie, and three large nationalised banks Indosuez, Banque Nationale de Paris, and Credit Lyonnais.

That formidable line-up is the main rival to the Euroroute consortium for the fixed link project due to be awarded by the British and French governments by the end of this year or early next year.

Euroroute is proposing a more expensive bridge and tunnel system. It also has grouped together an impressive industrial and banking team which includes, on the British side, Trafalgar House, John Howard, Fairclough, British Shipbuilders, and British Steel, and on the French side, Societe Generale, Paribas, Alsthom Atlantique, and GTM-Entrepose.



"With an expression like that I take it you're a name at *Lloyd's*"

Borrowed time

The 160th anniversary yesterday of Portugal's recognition of the independence of its former colony, Brazil, could also be said to mark the South American country's first step down the slippery path to its present position as the world's most indebted nation.

As the price of its recognition, the Portuguese Crown forced Brazil to take over payments on a £1.5m loan it had contracted in London—ironically, to finance its military expenditure against the Brazilian independence movement.

Together with the £1.4m outstanding on the first loan, the infant Brazilian Empire of Dom Pedro 1, son of the King of Portugal, also took over another £600,000, bringing the total owed to British bankers to £2m.

But the 26-year-old emperor had already developed a taste for foreign borrowing *on his* own account. The previous year he had raised £3m from a consortium of three British merchant banks, led by Wilson's. Two-thirds of this loan was later taken over by Nathan Rothschild, making Rothschild's the earliest lender to Brazil still in the business.

The new country was thus born already owing £5m to British bankers—a sum which, adjusted for inflation over the past 160 years and adding compound interest, is probably not too far off the $5bn exposure *that the British banks have in* Brazil today.

As a percentage of gross national product, in fact, Brazil's foreign debts may even have gone down.

Boesky's move

IVAN BOESKY, the Wall Street arbitrageur who has recently expanded his activities in the UK, has made a considerable fortune by taking on the big investment bankers as a lone operator.

But his latest move—a reorganisation of his top staff into a more formalised management structure for his company—suggests there is nothing he would like better than to join the ranks of the investment bankers himself.

The change does not come as a great surprise to Boesky's *rivals, who say that he has long* harboured a desire to become "respectable" in Wall Street terms.

Even though many of the big investment banks have their own departments engaged in risk arbitrage—basically taking a position on the outcome of a proposed takeover deal—it is not regarded as a mainline banking activity.

Indeed operators like Boesky are always open to a lot of criticism: witness the recent litigation against him by CBS, the U.S. broadcasting group, which claimed that he had improperly financed his stock purchases in the company.

Boesky is taking the title of chairman and chief executive in the new organisation, while he assembles a five-man team around him to cope with expansion into "merchant banking, investment management, and venture capital in the U.S., UK and parts of western Europe."

But for all the paraphernalia of a corporate structure, there is no doubt where the true power still resides. The company title is unchanged. The Ivan F. Boesky Corporation.

Star-struck

A group of Americans, I hear, is campaigning to persuade 1,200 U.S. newspapers to carry a disclaimer on their astrology columns; something like the health warning on a cigarette packet.

"The following astrological forecasts should be read for entertainment value only. Such predictions have no reliable basis in scientific fact" is the suggested form of words.

It is a very respectable group, calling itself the Committee for the Scientific Investigation of Claims of the Paranormal, and it plans to hold a conference in London next month.

Its members, who include *Francis Crick*, the Nobel laureate, B. F. Skinner, the Harvard psychologist, and magician James Randi, devote their energies to debunking the claims of such as Yuri Geller, the celebrated spoon-bender.

What worries the group about astrology is an apparently growing faith in its powers among the young of the world's most technically advanced nation. Gallup reports that belief in the stars among young Americans has grown from 40 per cent in 1978 to 55 per cent last year.

I do not rate the group's chances of influencing editors quite so highly. The editor of the San Jose Mercury probably spoke for many when he said "everybody already knows" such predictions are not founded on scientific fact.

Observer

UK MEAT BY-PRODUCTS BUSINESS

'Believe me...they are not cissy wars'

By Andrew Gowers

Q. WHAT DO soap, insulin, musical strings and sausage casings have in common?

A. They are all directly connected with an essential, if somewhat distasteful, sector of British business: the £100m-a-year animal waste industry, which removes and processes by-products from the nation's abattoirs.

In normal times, as behoves an industry specialising in such unattractive work, the companies involved prefer to keep the lowest of profiles.

But for two reasons, these are not normal times for animal waste processors, otherwise known as "renderers." First, some companies in the business are still licking their wounds after a series of damaging price wars.

Secondly, they have been thrust into the public eye by a critical report last month from the Monopolies and Mergers Commission.

The focus of the Commission's scrutiny is a company which towers above the rest: Doncaster-based Prosper De Mulder (PDM), which handles almost 50 per cent of all animal waste processed in Britain. All the other companies in the business have market shares of 7 per cent or less.

The Commission ruled that PDM had a monopoly, but that this was not as such against the public interest. However, it sharply criticised PDM's pricing policy, saying that it constituted "a step taken for the purpose of exploiting or maintaining the monopoly situation and that it operates and may be expected to operate against the public interest."

The Office of Fair Trading is now negotiating with PDM to obtain formal assurances that these practices will not be resumed.

But the row over PDM's dominance of the industry shows no sign of abating, with companies in the business split into vehemently pro-PDM and anti-PDM camps.

Essentially, the bulk animal waste industry processes abattoir by-products—a total of about 2m tonnes of them a year on the MMC's estimate — into such items as tallow for soap-making and offal for pet-food. There are also a number of specialised operators who collect individual organs, for example pig pancreases, which are used by pharmaceutical companies to produce insulin.

It is a tough and relatively unsophisticated business. Companies involved speak openly of cut-throat price wars for suppliers.

"When wars go on, believe me, they are not cissy wars," said the manager of one company.

It is also a highly risky and unpredictable trade, heavily influenced by volatile commodity prices—those of tallow and meat and bone-meal in particular.

The industry's history over the last 20-odd years, chronicled fascinatingly in the MMC report, is one of ever-increasing concentration. Under the twin pressures of technological change and tightening environmental regulations, countless small animal waste businesses have gone into liquidation or sold out to the dominant players —mainly PDM.

Between 1970 and 1983, PDM —which had grown from a small family knackery business established in 1926—acquired around 50 rendering or associated businesses. Many were subsequently closed with their suppliers and sales outlets being absorbed into PDM's relentlessly expanding network.

So last year, the company had attained a turnover of more than £58m, with a remarkable return on operating capital of 45 per cent. It is still family-owned, and unwilling to discuss its affairs in public.

In these circumstances, the Monopolies Commission could not but conclude that PDM had an effective monopoly. Many witnesses quoted in the report — including renderers and abattoir owners — express concern about the possible effects of this.

Evidence to the Commission reflected concern among abattoirs that PDM's dominant position might enable it to enforce apparently unrealistic charges for the collection of animal by-products, while some renderers complained about differential pricing used by PDM to attack competitors.

But the problems which prompted the Monopolies Commission criticisms stem in particular from PDM's decision several years ago to enter the so-called "gut-room contracting" business.

Most of the big renderers — Croda, for example, the subsidiary of the big chemical company Croda International, and Midland Cattle Products, owned by the Borthwicks meat group— have been content merely to process the waste provided to them by abattoirs or by specialised middle-men.

Undertaking a gut-room operation, however, involves moving into abattoirs and physically removing animal waste from carcases.

Imperial Meat, a small Maidstone-based company specialising in collecting glands, which gave evidence to the inquiry, is still fuming about what it sees as PDM's aggressive tactics in this field.

Mr Martin Platts, Imperial's fiery born-again Christian owner, says PDM has been known to double and even treble the prices paid to abattoirs by competitors in order to win new sources of supply. These are prices which the company's smaller rivals cannot hope to match.

He is determined to use the outcome of the Monopolies Commission inquiry to ensure that PDM does not go back to what he alleges were its old ways.

Other companies in the gut-room business are more sanguine than Mr Platts. "There will always be people who will try to breathe life into a nine-day wonder at the tenth day," said one manager in northern England.

"There was at one time a war. The situation was beginning to look as if it was out of hand. Now the Government has stepped in and ensured that it does not get out of hand. If anyone wanted evidence of a minnow being able to survive alongside a whale, we are it."

The Commission also draws attention to one important factor behind its decision that PDM's monopoly did not operate against the public interest: namely, that the rendering business provides an essential service without which the meat industry simply could not function.

"Animal by-products must still be processed, regardless of cost," said one manager. "They can't be buried, burned or taken out to sea and dumped. If we don't clear the mess, they can't slaughter the cattle."

Meat industry experts maintain that PDM's unrivalled national network of suppliers and modern processing plants is an essential element in the smooth running of Britain's abattoirs, and the Commission emphasises in its report that it received no complaints about PDM's service. Indeed, this might be impaired by splitting up the giant company into smaller units.

The only other possibility is to divide the country into zones for collection of animal waste, with each region dominated by one renderer, as happens in some European countries.

Many people in the industry believe the trend towards concentration, which has seen the number of rendering plants fall from 125 to about 74 since the early 1970s, will continue.

PDM has already tried once to gain control of Midland Cattle Products. Now that its monopoly has apparently been officially sanctioned, it might consider renewing its bid, or try to acquire one or more of its other competitors. However, the Commission suggests that any further acquisitions by PDM might be referred to the Office of Fair Trading.

Alternatively, PDM — which must have accumulated a considerable cash mountain through its immensely profitable operations recently— could decide to expand overseas, to move further up the supply chain by buying an abattoir or two, or even diversifying into other industries altogether.

Whatever happens, it will be against the background of a worsening economic environment for the animal waste industry as a whole.

Tallow prices, which are strongly influenced by the exchange rate of sterling against the dollar, have fallen nearly 20 per cent in the past month, and meat and bone-meal prices are about 10 per cent down.

"Earlier this year, the gap between our raw material prices and our finished product prices was at a record high, meaning record profitability," says Croda's Mr John Field, chairman of the UK Renderers' Association. "Those good times have come to an end. I personally feel the trade ought to settle down now and get on with its business."

Europe's hotel revolution

The fight to find more room at the inn

By Arthur Sandles

YOU HAVE to get up early these days to get a seat on the London Underground or Paris Metro—most places have already been taken by camera-toting, Burberry-clad tourists. They are the new commuters who have been driven further and further from city centres by a hotel-room famine.

The sudden, though long-predicted rise in demand for hotels has taken many cities in Europe by surprise. The economic revival in the U.S., and more latterly in Europe, has led to a sharp increase in both tourists and business travellers.

The demand has not gone unnoticed in the world's hotel groups. The development plans for many of the major groups have now switched from the Far East to the old ground of Europe—and the competition for properties is hot.

Moves over the last two weeks by Holiday Inn, and Ramada, both of which unveiled £100m development projects for the UK alone, have emphasised the point. The reasons for the expansion are not secret: "The growth in Europe in both business and holidays is quite phenomenal," says Mr Graham Jeffrey, regional vice-president of Intercontinental. "It is not just the strength of the dollar, there has been a huge development of commercial demand."

For a group like Holiday Inn, which already has 1,700 hotels in 52 countries, Europe looks tempting. Its U.S. domestic market is pretty well saturated, and it has been driven to develop de luxe hotels offering only suites and a new line in bduget properties. If growth is to continue in its traditional product, it must be in Europe.

"We intend operating Holiday Inn in 140 new key locations in Europe within the next 10 years," says Mr Sigi Bergmann, the group's European managing director. The average hotel would have 120 rooms, at a cost of around £40,000 per room.

Some cities will welcome Holiday Inn, Ramada, Hilton, Trusthouse Forte, Sheraton or any of half a dozen other chains.

But London and Paris remain the toughest targets. Hyatt managed to secure a London property when it moved into the Carlton Tower, but is still desperately looking for the Paris flagship without which no chain can really call itself international (it has, however, managed Brussels, Montreux and Budapest). "Proposals (for Paris) are put to us every day," says Hyatt's Paul Novy, development vice-president based in Chicago. "But most of them are of no use."

Prices for prime sites are often prohibitive. "A year or so ago," says Sheraton (also without a Paris flagship), "we looked at the Prince de Galles. You would not believe the money they were asking."

Sheraton backed off, but with 27 hotels in Europe and five in the UK it is otherwise fairly well represented. "We are strongest in Scandinavia and the UK, and weakest in Spain and France, but we are working very hard on those."

A variety of problems present themselves for the teams of hotel developers knocking on the doors of Europe. Not least is price. In those two cities, even given a site, it is generally agreed that building a hotel from scratch would cost at least £120,000 per room, and probably much more.

Prices for prime sites are often prohibitive

Planning restrictions cause big problems. "Often when you build a hotel the city wants you to keep the façades of the buildings that were on the site. In Vienna we were asked to rebuild the frontages of two buildings that were being demolished," says Hyatt.

To try to overcome these problems, hotel groups find themselves caught up in general developments which try to spread the financial burden. Shops, offices, an entertainment complex and perhaps housing—which can be sold early to raise further capital —are built.

Most of the groups try to avoid putting their hands into their own pockets. Most are management companies. Local investors own the building and then pay a fee to the chain to run the hotel for them. The bigger and more successful the chain, the more likely they are to be able to woo developers and other investors into this sort of arrangement.

From that — for the hotel chain — perfect arrangement comes a range of alternative deals. Instead of a management contract, the owner of a good site might seek a profit-linked deal or a leasing system, whereby the hotel operator takes on the financial risk. At worst a group may have to invest its own money in order to get a site.

"In key destinations we will put money up front," says Sheraton. It has done this recently in London where it owns 50 per cent of its new Sheraton Belgravia property. All the groups, however, insist that this is a last resort, when the site and the city are too tempting to resist.

In the major cities the hotel chains have almost written off new building and are involved in a frenzy of investment in their present, or newly-acquired properties and in seeking old hotels that can be refurbished.

InterContinental, one of the best represented groups in Europe thanks to its acquisition by Grand Metropolitan, is spending heavily on refurbishment. It is spending $15m on the Carlton in Cannes "to make it a marvellous conference hotel" and is on a similar spending spree on its other London properties.

InterContinental is fortunate in being in London. There are others, the Air France subsidiary Meridien for example, which would love the opportunity to spend money. The Asian hotel chains are now also showing an interest. When, and if, the dust settles on the Dorchester row between the Sultan and Brunei and Regent International, the operating company, Regent may be on the acquisition road again.

"In the long term we intend to be in every major city in Europe," says Regent in its Hong Kong base.

Letters to the Editor

Seven day trading

From Mr T. Goddard

Sir,—Your item (May 10) on the derestriction of shop hours debate deduces a limited employment gain from seven-day trading, based on a conclusion that only sales increases will bring more jobs and your adoption of the "same spend spread more thinly" contention.

The argument of static sales volume is specious. Diversion of personal income from any of the competing ends (leisure, consumer goods, holidays, transport, savings) is demonstrably possible and the analysis of household budgets over the past 10 years provided by the Central Statistical Office's 1985 Edition of Social Trends shows this elasticity. Further evidence — if needed — can be shown in the obverse. Close a store for a short time in circumstances where compensating like purchases cannot be made and those sales are lost for ever. Can it be possible that if the merchandise is available at times when it is more convenient and comfortable to shop, marginal decisions to buy or do without will not be influenced?

Accepting, then, the conclusion that increased sales means increased employment it must be clear that the freeing of shop hour restrictions can be categorised as a measure to stimulate job creation.

T. P. Goddard.
Habitat/Mothercare,
196, Tottenham Court Rd, W1

Consensus on education

From Mr G. Radice MP

Sir,—Your leader on the education service (April 30) was wrong to claim that the Labour Party's recently published "Charter for pupils and parents" contains only "repetitions of pledges" made by the party more than a decade ago.

In the 1960s and 1970s Labour Party education policy statements rightly concentrated on making the case for replacing selective secondary schools with comprehensives. I am glad to say that this battle has now been won. Even Sir Keith Joseph, judging by his recent "better schools" White Paper, has abandoned the grammar schools. The grammar school is now widely seen as an educational dinosaur.

With a consensus on the structure of secondary education now established, the real debate is centred around the important issues of what kind of curriculum a modern comprehensive school should be teaching and what form should assessment take if it is to motivate rather than deter pupils across the whole ability range. Our charter is a fresh statement of Labour's approach to these questions.

Another notable "new" feature of the charter is that it reflects the Labour Party's awareness of the need for schools to develop positive policies if they are to ensure equal opportunities for all pupils. I am sure readers would have been better served by a discussion of the merits of these proposals, rather than by the broad brush judgement they got.

The leader claimed that the education service "lacks effective management through which cohesive reforms can be carried into effect." Without endorsing in every detail the present way of doing things, it does nevertheless have to be said that a major reason why much of the present machinery for managing the system is either grinding to a halt or failing to work smoothly is the approach adopted by the Secretary of State and his Government.

Too often Sir Keith's approach has been not to seek agreement to change by consulting with his partners in the education service, but to impose it unilaterally. This unwillingness to seek consensus has been combined with the government's ideological fixation about cutting public spending with the result that local education authorities have had an intolerable financial strait-jacket imposed on them and have found themselves unable to pay teachers at a professional salary level. Sir Keith's failure to deliver owes more to a weakness of leadership and a lack of resources than to any inherent flaw in the education system.

Giles Radice,
(Shadow Education Secretary),
House of Commons, SW1.

Registrars and certificates

From Mr J. Whitehouse

Sir,—Surely the time has come when the present system of issuing certificates for stock transactions must be brought into the 20th century. Some 14 months ago my mother and father-in-law purchased £1,500 of loan stock in a retail group with a full stock exchange quotation, whose registrars are well known. Towards the end of March the final certificate arrived making a total of 16 issued since May 1984.

Apart from the inconvenience caused my main point in writing is to bring to mind the costs involved in stationery (certificates and correspondence to the broker apart from the time involved in the registrars updating their records) postage and similar costs incurred by the brokers in forwarding the items to the registered holders.

The final irony of the situation is that regrettably my father-in-law died shortly after the stock was purchased and the certificates require to be returned to the registrars for amendment!

J. D. F. Whitehouse,
60, The Gallops,
Foxwood Lane,
Acomb, York.

Numerate managers

From the Secretary, Institute of Chartered Secretaries and Administrators

Sir,—Sir Frank Cooper (Management Page, May 8) with customary lucidity describes the changes and developments required if proper financial control and accountability are to be brought to the civil service. Rightly he highlights how Mr Wilson, as head of the Government accountancy service, will need practical help as well as political push. But can the professionally qualified accountant really provide the best solution?

What has always been needed, and now even more so as a result of the information technology revolution, is not audit trained accountants—who will always be a tribe apart from mainstream administration, needlessly expensive to import into the system—lookalikes of the traditional, analytical, re-active administrator in the civil service.

With the introduction of new technologies, number work will be automated. What the civil service will need are numerate managers, without specialist accountants or advisers, who will themselves select, interpret and control the vast amount of data available to them directly at their work stations. What an opportunity it is for the civil service to encourage the professional bodies to lean over traditional and outmoded systems of training to produce the "new breed" of numerate managers we shall all require.

Must we apply yesterday's solutions to tomorrow's problems?

B. Barker.
16, Park Crescent, W1.

Buy your gas locally

From Mr E. Barrow

Sir,—Your editorial (May 8) in the wake of the Government's announcement that it is to sell off British Gas is welcome, if the news of the sale is perhaps not. Certainly it will fulfil its main function and raise a large sum of cash to be used to finance the still heavy levels of current expenditure and so produce further tax cuts during the run up to the election. Regulation of a private-sector monopoly, however, invariably leads to inefficiency, and a formula such as that worked out for British Telecom would lead to continually falling gas prices over time. Any such condition imposed on British Gas, which has to pay world market prices for its supplies would make the shares unsaleable; besides ultimately encouraging profligacy with energy by consumers. Establishing a quango to deal with the pricing of supplies to consumers would defeat the ideological (if not the pragmatic) purpose of the transfer to the private sector.

A private-sector gas market, however, is not incompatible with a free market, provided the structure is right. The key is that the ownership and control of local distribution must lie with the consumers themselves. Such local gas companies would handle far smaller areas than the present regional boards when set up, although they would be free to expand by merger subject to normal anti-monopolist controls, and would buy gas at market prices through a gas exchange, which would also deal in futures contracts for gas. Gas suppliers would sell their gas through the exchange in the same way, and membership of the exchange would also be open to others who by speculation would be able to provide a source of liquidity in the market to finance production, exploration and distribution. Large consumers in industry would also be able to purchase gas directly from the suppliers and to join the gas exchange in their own right. The only legislation that would be required to achieve control of gas prices in a fair market would be to restrict local distribution to properly constituted local co-operatives.

As such a course of action, however, would reduce the money raised for the Treasury by the sale, it is unlikely to be accepted, even if it is far more in accord with the Government's professed policies than a great big private sector monopoly.

Edward Barrow.
17, Rudloe Road, SW12.

More letters
Page 8

FINANCIAL TIMES

Tuesday May 14 1985

Rush for BAe shares lifts price on London market

By Our Financial Staff

BRITISH AEROSPACE shares rose on the London stock market yesterday after news that the UK Government's latest £550m ($682m) share offer had been oversubscribed by about 4½ times. BAe shares added 18p to 436p against an offer price of 375p.

The Government was selling its remaining 48.8 per cent stake in the aerospace group and the company was raising new funds with a rights issue.

The ruling Conservatives hailed the heavy demand for BAe shares as a success for its policy of encouraging wider share ownership. Some 264,000 investors applied for a total of 790m shares, against the 146.8m on offer.

Applications from BAe shareholders and employees are being met in full, but applications from the general public are being heavily scaled down. Applicants for up to 20,000 shares will receive a maximum of 275 shares and applicants for more than 20,000 will get none.

Institutional investors were assured of shares in advance in a placing which guaranteed them 55 per cent of the issue in return for underwriting the rest of the offer.

Kleinwort Benson and Lazard Brothers, the merchant banks handling the offer, last night said that the level of oversubscription indicated that the offer had been priced correctly.

Mr Marcus Agius, a director of Lazard Brothers, said that the fact that there had been about 260,000 applications from the public, against over 2m in the much larger British Telecom flotation, indicated that the campaign to attract "sophisticated" private investors, those who already owned shares, had succeeded.

In the House of Commons, Mr Geoffrey Pattie, the Information Technology Minister, said that about 2,500 of BAe's 70,000 employees had applied for shares. This was a "pretty satisfactory return", he said.

In contrast with the British Telecom offer, the Government's financial advisers found "very few" cases of suspected multiple applications.

The allocation of shares to investors is: 100 to 200 shares applied for – 100 shares; 300 to 500 – 125; 600 to 700 – 150; 800 to 900 – 175; 1,000 to 1,900 – 200; 2,000 to 3,800 – 225; 4,000 to 9,500 – 250; and 10,000 to 20,000 – 275.

Dealings in renounceable letters of acceptance are to begin today. Letters of acceptance and returned cheques are to be sent out on Thursday.

See Lex

UK rescuers face £65m bill for JMB write-offs

BY BARRY RILEY IN LONDON

JOHNSON Matthey Bankers, the UK bank rescued last October in an emergency takeover by the Bank of England, has made provisions of £245m ($301m) against loans. The write-offs amount to more than half of an original loan book of some £450m.

As a result, some two dozen British banks will have to pay a total of £32.5m under the controversial indemnity agreement signed last March 30 which meant they shouldered responsibility for half of any losses in excess of JMB's original £170m capital base. The Bank of England will bear the remaining £32.5m.

The net resources within JMB of £130m, with the £50m injected by its former parent company Johnson Matthey, left a shortfall of £65m after the £245m provision. It is this shortfall which is being split two ways.

Announcing this, the Bank of England also revealed a proposal to restructure JMB's capital. The £100m deposit made by the Bank in JMB last year will be converted into capital, in the form of £50m of ordinary shares, £25m of redeemable shares, and £25m of subordinated loan stock dated 1995.

The Bank yesterday insisted that this £100m would be recovered when JMB was sold back to the private sector – a development which a Bank spokesman did not anticipate, however, until next year.

Several potential buyers are thought to have expressed an interest in buying a revitalised JMB.

The write-offs are thought to be adequate, but are subject to further review each quarter until March next year, and the indemnifying banks will remain liable until then. Meanwhile the banks are expected to be asked to pay the £32.5m within the next few weeks.

In a statement, it blamed JMB's problems on "inadequately controlled and imprudent lending to an over-concentration of injudicious loans."

Other parts of the business, which include the bullion dealing operation, are said to be continuing to trade profitably, however.

It is expected that JMB will be sold off as a fully recognised bank with a capital base appropriate to its continuing business. The inclusion of £25m of redeemable capital within the new £100m capital base is to allow flexibility should circumstances permit part of the capital to be withdrawn.

The new development will be the completion by the end of this month of the report by the review committee on banking supervision, of which the Governor of the Bank of England, Mr Robin Leigh-Pemberton, is chairman.

A statement based on this report is promised to be made by Mr Nigel Lawson, Chancellor of the Exchequer, to the House of Commons some time in June.

Editorial comment, Page 24;
See Lex

Wellcome Trust to sell 20% of equity in public offering

BY STEFAN WAGSTYL IN LONDON

THE WELLCOME Foundation, the pharmaceuticals company which devotes much of its profits to medical charity, is to be floated on the London Stock Exchange early next year with a market value of about £1.5bn ($1.86bn).

The Wellcome Trust, a charity and sole owner of the Foundation, is selling 20 per cent of its holding in a public offer for sale.

The Trust will retain tight control over the Foundation. It said yesterday that it will make no further sales of shares within two years of the flotation; it will not reduce its holding in the foundation below 50 per cent and it will ensure that no other shareholder can control more than 10 per cent.

The Trust is making the sale – which could raise about £300m – in order to diversify its investments and increase its aid to medical research "at a time when funds are badly needed."

Sir David Steel, the chairman of the Trust said: "The trustees have for some time been concerned about the wisdom of having all their eggs in one basket notwithstanding the excellence of that basket."

The foundation, meanwhile, wants to have access to outside funds in order to invest in new research programmes and pay for acquisitions. It is also keen to reward staff with share incentive schemes.

Mr Alfred Shepperd, the foundation chairman, said the flotation would make no difference to the day to day running of the business, but "we have entered a new phase with its own potential for development."

Wellcome will join the stock market as the third largest UK pharmaceutical group behind Glaxo and Beecham. In the year to August 1984 it increased pre-tax profits from £81m to £89m on turnover up from £674m to £806m.

Its best-selling drugs include Septrin, an anti-bacterial, Zyloric, an anti-gout preparation, and Zovirac, developed to counter herpes.

The foundation is an international group with interests in many countries – only one third of its 18,600 employees work in the UK. Nearly half the group's sales are made in the Americas, mainly in the U.S.; Europe, Africa, Asia and Australia are also important markets.

The Wellcome Trust was created in the will of Sir Henry Solomon Wellcome who died in 1936 after building up Burroughs Wellcome and Company, a world-wide pharmaceuticals group.

The Trust distributes about £20m a year to medical charities in many fields, including mental health, tropical medicine, veterinary medicine and the history of medicine.

The Trust has appointed Robert Fleming, the merchant bank, as its financial adviser. The foundation is advised by S G Warburg.

See Lex

NatWest lifts primary capital with $1bn perpetual floater

BY MAGGIE URRY IN LONDON

NATIONAL Westminster Bank is adding $1bn to its primary capital by following Lloyds Bank and Midland Bank into the Euromarkets with a perpetual floating rate note issue.

The new money will raise Nat West's free capital ratio – the amount of capital freely available for the banking business as a proportion of total deposits – from 4.5 per cent at the end of 1984 to 6.0 per cent now, Mr Roy Haines, the UK bank's treasurer, said yesterday.

The issue ranks as primary capital under Bank of England rules because it has characteristics of equity and need never be repaid. In the event of NatWest's liquidation noteholders would be regarded as holders of preference shares.

NatWest had been the first borrower to launch a perpetual floater – a $500m issue launched in April last year – but that had not ranked as primary capital. The bank is still in discussions with the Bank of England over whether this earlier issue can now be ranked as primary capital.

NatWest was able to achieve finer terms for its issue than Lloyds or Midland. Interest on the bonds will be paid every six months at a rate of ¼ per cent above the mean of the bid and offered rates for Eurodollar deposits in the London inter-bank market.

The issue, which is being arranged by NatWest's merchant bank subsidiary, County Bank, was well received in the Eurobond market yesterday, although not trading as well as the more generous deals from Lloyds and Midland.

NatWest's share price added 20p to 685p yesterday, while other bank shares were also firmer. The hope is that these issues of perpetual floaters will lessen the chances of the banks asking shareholders for more capital through rights issues.

International Capital Markets,
Page 27

Olivetti and Toshiba plan major links

Continued from Page 1

Olivetti name. Last year Olivetti stopped its manufacturing relationship in Japan with Tokyo-Juki industrial, a smaller office equipment manufacturer.

A senior Toshiba official said yesterday that his company was interested in "playing a more significant role in the worldwide market and this tie-up with Olivetti provides an excellent way to strengthen our presence in the area of office automation."

Olivetti's Japanese subsidiary currently employs 1,350 people, while Toshiba has a workforce of more than 100,000. Industrial electronics and components represent a third of Toshiba sales, consumer products for almost 30 per cent, while the balance is accounted for by heavy machinery.

Italian election projections

Continued from Page 1

so", or overtaking, by the Communists appeared vindicated.

The Communist Party, on the other hand, not only appeared to have lost the 4 per cent jump in its support which it gained in the 1984 European elections, but also was set to lose nearly 2 percentage points in comparison with the 1980 regional elections.

The Socialists were expected to get 13.5 per cent of the vote, about 2 per cent more than they won in 1983 und 1984. But Sig Craxi may have cause to be disappointed that his party did not advance more strikingly. For the Socialists the result appeared likely to be only a slight improvement on its performance in the 1980 regional elections.

But he will be able to take comfort from the projection of a rise in overall electoral support for the five party coalition of Christian Democrats, Socialists, Republicans, Social Democrats and Liberals. Their total share of the vote seemed set to reach just over 58 per cent – higher than the 56 per cent they won at the last general election on which their parliamentary majority is naturally based.

Two other parties to gain votes were the right wing Italian Social Movement, which in an early municipal result became the largest single party in the partly German speaking city of Bolzano in the South Tyrol; and the newly formed Green party which was set to win 2 per cent of the vote.

The election projections should, if confirmed, lead to a shift away from alliances with the Communists in the formation of local government coalitions. The five party coalition in national government will be solidified. It is not a foregone conclusion, however, that it will be led by Sig Craxi for all the remaining three years of the current parliament.

European groups in plan for advanced microchip

By David Marsh in Paris

FIVE LEADING European electronics companies are discussing developing a powerful new microprocessor for marketing during the 1990s. The project could mark the first significant commercial accord to result from the European Community's Esprit programme.

Thomson, the French state owned electronics group, has had very preliminary contacts with General Electric Company and Plessey of Britain as well as Siemens of West Germany and Philips of the Netherlands about the advanced microprocessor project, industry officials said in Paris yesterday.

If the programme goes ahead it would cost about Ecu 100m ($72m) to finance, bringing products to the market at the end of the decade for both military and civilian applications.

No decision on the project has yet been made. An accord would represent the most important follow-on so far from the Esprit information technology research programme, which is being supported by Ecu 1.5bn in public and private sector funds from EEC countries.

Esprit concerns projects in pre-competitive research areas decided jointly by EEC companies. Several EEC countries – including France – have been pondering how to take co-operation a step further by engaging in research aimed at bringing concrete electronic products to the world markets.

Such high-powered microprocessors could be used both in computers and computer-controlled civil equipment and in military systems.

The project has been proposed by Thomson as one of a number of Esprit follow-on possibilities. Although not conceived specifically as part of France's recently announced Eureka project for European collaboration in high-technology areas, the idea of further co-operation in electronics components forms an essential ingredient of France's plans to forge closer European electronics alliances to stand up to U.S. and Japanese competition.

Jason Crisp writes in London: Last night both GEC's and Plessey's research directors said they were unaware of any Thomson approach on the project.

Stockholm raises key rates

Continued from Page 1

ments – while at the same time soaring imports and an unexpectedly strong rise in private consumption have forced yesterday's counter-measures to cut private demand.

Figures released yesterday show that the trade balance achieved a surplus of only SKr 1bn in the period from January to April compared with a surplus of SKr 11.1bn in the corresponding period last year. In April the trade balance showed a deficit of SKr 800m.

Yesterday's package will also ensure that the Government fails in its primary aim of cutting inflation to only 3 per cent by the end of the year.

The rise in the discount rate combined with yesterday's tax increases pushes inflation in the first five months of the year alone through this ceiling and on a year-on-year basis inflation is still running at more than 6 per cent.

The current account of the balance of payments was in balance again last year for the first time since 1973, but this year the position has begun to deteriorate again rapidly with a deficit of SKr 6bn in the first three months of the year.

Exports have weakened and imports have risen sharply as a result of the strong growth in private consumption as well as rising industrial investment and stock building. New car registrations jumped by 13 per cent in the first three months of this year and retail sales increased by 3 per cent.

Mr Dennis said that monetary policy had been tightened with the aim of getting a "powerful increase in interest rates through the whole economy."

Our Markets Staff writes: Share prices plunged after the interest rate announcement with the Veckans Affarer All-share index dropping 10.6 points to 487.0 in relatively heavy turnover. Forestry and banking were the hardest hit sectors, while some engineering shares managed to resist the downturn.

Market analysts expect bargain hunting to follow yesterday's setback and cite the continued presence of foreign investors in the market as an indication of its underlying strength.

THE LEX COLUMN

Soap opera at Unilever

At last the Government has got its privatisation tactics down to a tee: price the shares attractively, then structure the allocation so that the people who really need the shares get none at all. Institutional demand for British Aerospace after the allocation yesterday pushed the shares up 18p to 436p, and other disappointed investors took FT-SE to another record.

Unilever

Unilever landed its first-quarter results in the midst of quite a broad range of City estimates; but even those who predicted the 13 per cent increase in pre-tax profits to £218m did not do so for the right reasons.

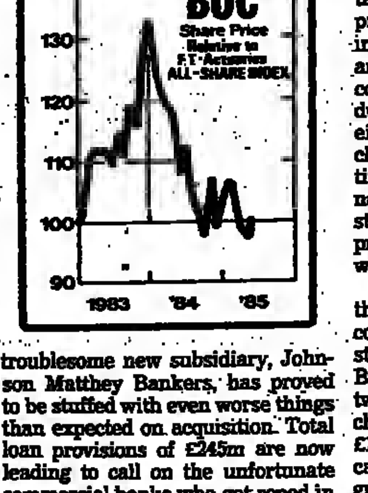
Unilever is a complex group of businesses at the best of times. But given that this time there are two sets of accounting policies for Brooke Bond profits and finance charges, it was not helpful to find the new acquisition's profit contribution for the fourth quarter of 1984 misstated. After all, without that extra three months of Brooke Bond and an above-the-line exceptional credit, Unilever more or less stood still.

This is not terribly surprising. It was known that the European Community's Christmas cheap butter would take about 50,000 tonnes of sales from margarine and that margins in oil milling were being ground flat. But it is now clear that the defence of Wisk's position in the U.S. liquid detergent market against the onslaught of Procter & Gamble has cost a fortune – with Lever Bros. no doubt some £15m down for the quarter.

There is encouraging news from consumer products in the Third World; and thanks to Brooke Bond, Unilever should make the magic billion this year. It is impossible to be more specific until the outlook is clearer on exchange rates, tea prices, marketing costs in the U.S. and the disposal and acquisition policies of a group no longer content to sit on its portfolio. The London market notched the shares up 25p to £11⅜, scratched its head a bit, then decided to wait.

JMB

It is clear enough why the Bank of England has had such difficulty – delay, at least – in getting its accounts out this year. The Bank's troublesome new subsidiary, Johnson Matthey Bankers, has proved to be stuffed with even worse things than expected on acquisition. Total loan provisions of £245m are now leading to call on the unfortunate commercial banks who got roped in as guarantors: the hat is now going round for £32.5m.



Apart from matching these donations, the Bank is also making the best of a bad job by capitalising the £100m deposit which it made to keep JMB trading. The effect of this is to give JMB a balance sheet on which it can credibly be sold, when the loan book has finally been given a clean bill of health; at present the provisions are doubtless meant to be exhaustive, but they remain provisional.

Since the JMB bullion trading business remains workable, despite all the injudicious lending that went on around it, there should be takers for JMB. Though the commercial position of JMB as a bank cannot be worth much to anyone, the Bank might even be able to extract a modest amount of goodwill, just for membership of the bullion ring. And conceivably the right purchaser might get away without paying for JMB's newly subscribed primary capital.

BOC

After a year of mild quarterly disappointments, BOC has actually produced a set of interim results and a dividend increase which may give the sceptical something to think about. Pre-tax profits, at £78.7m, were up 32 per cent with no help from currencies, the major surprise being a 54 per cent rise in health care profits.

The gases division is still steaming ahead, thanks to strong demand – still – in the U.S. and heavy capital expenditure on efficiency improvements. Health care is now seeing the benefits of restructuring and has insulated itself from cost containment in the U.S. health industry by selling products that are either vital, like anaesthetic machines, or too cheap to be worth cutting, like pharmaceuticals. Unfortunately, graphite electrodes remain stubbornly resistent to making profits – and are unlikely to do so while the dollar remains high.

Health care now accounts for a third of profits, helping to make the company an even more defensive stock in the face of a U.S. recession. But while BOC still spends around twice its historic depreciation charge – with another £75m to £100m for acquisitions on top – it can also claim to qualify as a growth stock. Assuming the company makes £175m this year, its shares – up 7p to 291p – are still on an undemanding multiple of around 9.

Wellcome

Valuing the Wellcome Foundation is not going to be the easiest task for its many advisers. The steady revenue from established products like the vaccines and antibiotics has covered a handsome dividend for the trustees over the years, and will presumably do so for outside shareholders in future. Yet the cash flow from mature drugs does not attract high ratings on stock markets; a prospective flow of new drugs from the research lab is the thing. Glaxo – the most obvious yardstick – had its highest rating when its great success with Zantac was just appearing over the marketing horizon; now that sales are piling up and profits rolling in, even Glaxo is sitting on a prospective multiple in the low teens.

If Wellcome can give the City of London reasonable evidence of commercially exciting research, then it may indeed be possible to look for a total market capitalisation approaching £1bn, though the narrow float and a form of golden straitjacket – intended to preserve control by the Trust – may hold the valuation down. So may the reflection that the trustees must have a reason for diversifying their holdings, perhaps simply the expectation of higher returns elsewhere.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	23	73	Malaga	S	22	72	Salzburg	F	26	79
Akrotiri	F	23	73	Faro	F	20	68	Malta	S	22	72	Seoul	S	16	61
Algiers	F	19	66	Florence	F	25	77	Manila	S	34	93	Singapore	C	28	82
Amsterdam	F	15	59	Frankfurt	F	20	68	Miami	S	29	84	Stockholm	S	17	63
Athens	S	22	72	Funchal	F	19	66	Milan	S	15	59	Strasbourg	F	20	68
Bahrain	S	29	84	Geneva	C	14	57	Moscow	S	18	64	Sydney	C	18	64
Bangkok	C	33	91	Gibraltar	F	18	64	Munich	F	25	77	Taipei	—	—	—
Barcelona	F	17	63	Guernsey	F	11	52	Nairobi	F	25	77	Tangier	F	17	63
Beirut	C	23	73	Helsinki	S	19	66	Naples	S	28	82	Tehran	—	—	—
Belgrade	F	26	79	H. Kong	F	30	86	New Delhi	S	40	104	Tel Aviv	C	22	72
Berlin	C	21	70	Innsbruck	F	22	72	New York	S	27	81	Tenerife	—	—	—
Biarritz	S	10	50	Inverness	F	9	48	Nice	R	15	59	Tokyo	—	—	—
Blackpool	C	12	54	Istanbul	F	21	70	Oporto	S	16	61	Toronto	—	—	—
Bordeaux	F	16	61	Jersey	F	13	55	Oslo	F	20	68	Tunis	C	19	66
Brussels	F	17	63	Jo'burg	F	15	59	Paris	S	17	63	Valencia	F	20	68
Budapest	S	27	81	Las Palmas	F	21	70	Prague	S	24	75	Venice	F	22	72
B. Aires	C	24	75	Lima	C	21	70	Reykjavik	C	9	48	Vienna	S	25	77
Cairo	S	26	79	Lisbon	C	17	63	Rio de J'o	—	—	—	Warsaw	S	29	84
Cape Town	S	20	68	Locarno	R	9	48	Rome	S	26	79	Zurich	S	18	64
Caracas	C	28	82	London	C	11	52								
Casablanca	C	19	66	Los Angeles	F	22	72								
Copenhagen	C	14	57	Luxembourg	F	17	63								
Corfu	S	23	73	Madrid	F	17	63								
Dublin	C	9	48	Majorca	S	19	66								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Rau on course to lead

Continued from Page 1

Government's record on unemployment played a big part in the defeat.

Further more he ruled out any panic Cabinet reshuffle, and dismissed speculation over his own position. Herr Kohl did, however, promise action in the second half of this year to tackle unemployment, presently at around 2.4m.

Without being specific, the Chancellor also pledged to tackle the difficulties facing West German farmers – whose desertion is believed to have been a significant contributor to the CDU obtaining only 36.5 per cent of the vote on Sunday.

His remarks could well portend an even tougher line in the arduous negotiations under way in Brussels to agree new EEC farm prices.

Our Markets Staff writes: The stock market ignored the outcome of the election and maintained the record-setting pace established last week. The Commerzbank index surpassed the all-time highs set on Thursday and Friday with a further 6.7 point gain to 1,251.2.

A large portion of the bourse's rally has centred on bank and chemical issues encountering strong foreign demand.

The bond market was traded actively higher with gains of up to 40 basis points in select issues.

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FINANCIAL TIMES
Tuesday May 14 1985

Atlas Copco profits up 40%

By David Brown in Stockholm

ATLAS-COPCO, the Swedish compressors, mining and construction equipment manufacturer, continued strong growth in the first quarter with earnings after financial costs up 40 per cent to SKr 202m ($22.3m).

The result was helped by a strong improvement in volume sales and continued high capacity utilisation following an extensive three-year rationalisation programme.

Sales climbed 16 per cent to Skr 2.37bn, while costs rose at a slower rate. The operating result after depreciation was up 26 per cent to SKr 256m, and net financial costs fell to SKr 54m. Return on total capital employed was 70.7 per cent, up from the 16.7 per cent noted at the end of 1984.

Although the construction industry remains stagnant, demand continues to grow in mining and manufacturing, and Atlas-Copco recorded a strong earnings growth in all divisions. Markets in Western Europe and Latin America remained brisk, but growth has slowed in North America.

UBS to apply for listing in Frankfurt

By John Wicks in Zurich

UNION Bank of Switzerland (UBS) intends to apply to have its bearer shares and participation certificates listed on the Frankfurt stock exchange. The listing is expected to take effect in the second half of this year.

This follows the application of Swiss Bank Corporation for a licence to set up the Frankfurt subsidiary.

Earlier this year Crédit Suisse, the third of Switzerland's "big three," took over Grundig Bank in Fürth and announced plans to acquire a majority stake in the Effectenbank-Warburg, of Frankfurt.

Although UBS placed a series of shares in *London* and Tokyo last year, this would be the Zurich bank's *first listing on a foreign* stock exchange.

U.S. chemicals group confident

By Our Financial Staff

ALLIED Corporation, the U.S. chemicals and manufacturing group, should produce earnings this year which are slightly above the $487m, or $5.02 a share, reported in 1984.

Mr Edward Hennessy, chairman, said that second-quarter earnings would be "slightly below" the $130m, or $1.37 a share, achieved last year but that an upturn in the third and fourth quarters would result in an improvement over the full year.

Opposition grows to Norfolk & Southern takeover of Conrail

BY TERRY DODSWORTH IN NEW YORK

MORGAN STANLEY, the New York investment bank, is today due to reveal a list of potential investors in Conrail, the U.S. government-controlled railway, in a move aimed at thwarting an unwelcome bid from the Norfolk and Southern Railroad.

In a letter to Congressmen involved in discussions over the sale of *the Government's* 85 per cent shareholding in the railway, Morgan Stanley claimed that its proposal would yield a "superior financial return." *Its plan is for* the investor group to acquire the Government stake, *later* selling off shares to the public.

According to a draft of the proposal, the investor group would aim to dispose of 60 per cent of Conrail within five years, and none of the investors would own more than 10 per cent at the end of that period.

Morgan Stanley's intervention is considered a likely focus of opposition to the Government's plans to sell its stake to Norfolk and Southern, a project which has the strong backing of Mrs Elizabeth Dole, the Transportation Secretary.

Although Mrs Dole has argued that Conrail needs a "deep pocket" to ensure its survival, the prospect of a link with Norfolk and Southern has attracted strong opposition in Pennsylvania, the headquarters of the line. Management in the company supports a public offering of shares, while other railway companies have argued that the takeover would give Norfolk and Southern an unfair advantage on east coast routes.

There is also considerable opposition in Congress to the Transportation Department's plans for Conrail, which was created out of the wreckage of Penn Central and six other bankrupt railways in 1976, and has since devoured $3.2bn in federal subsidies.

Buyout sought for Pechiney division

BY DAVID MARSH IN PARIS

PECHINEY, the nationalised French metals group, is seeking to sell its port services subsidiary, Docks Industriels, to a group of employees in a move which would represent one of the most important leveraged management buyouts so far in France.

The sale to three Docks Industriels executives, which is being organised by a *specialised subsidiary* of the small business financing organisation *Crédit d'Equipment des* Petites et Moyennes Entreprises *(CEPME), is still subject to approval* from the Finance Ministry.

Formal authorisation from the Finance Ministry – which has been *slow* to give the green light to buyouts – would mark the first time a subsidiary of a nationalised French company had been spun off to the private sector in this way.

The Socialist Government last year introduced tax incentives to aid management buyouts as part of the new economic policy of encouraging entrepreneurial activity. More than 20 cases have so far been given formal authorisation, but a Finance Ministry committee has been examining the dossiers with great care to make sure that the incentives are not abused.

Docks Industriels has annual turnover of about FFr 180m ($16.8m). Pechiney has decided to spin off the subsidiary – which is based in Bordeaux and has activities ranging from dock handling to *storage and transit operations* – as part of its policy of concentrating on *the metals industry.*

Docks Industriels, which is 66 per *cent owned by Pechiney, is already* quoted on the Bordeaux bourses. Avenir Entreprises, a subsidiary of the CEPME, is handling the deal, together with a group of banks led by the second largest nationalised bank, Crédit Lyonnais.

Pechiney, together with several other big industrial groups nationalised in 1982, has already taken steps to re-establish its links with private financial markets.

Michelin cuts loss in French company

By Paul Betts in Paris

MICHELIN, the world's second largest tyre producer after Goodyear of the U.S., yesterday reported lower losses of FFr 1.53bn ($161m) *at its main French operating company* Manufacture Française des Pneumatiques Michelin.

The French operating company reported losses of FFr 3.8bn in 1983. However, the 1983 deficit included *heavy* restructuring provisions. Without these provisions, 1983 losses totalled FFr 1.114bn.

The French operating company's deficit *last year* also included restructuring provisions which are understood to total about FFr 500m – FFr 800m. These cover the company's decision to include in its 1984 accounts the cost of its French job reduction programme and the early retirement of 5,000 workers.

Michelin is due to report its full group results in the next few days. But the figures for the French company are in line with analysts' expectations. They show an improvement in operating performance, with operating losses of the French company about FFr 100m lower than the year before.

French financial analysts are expecting Michelin to report group losses of around FFr 2.2bn for 1984.

The group as a whole reported a deficit of FFr 2.14bn in 1983 and of FFr 4.18bn in 1982. Group results in 1984 are also expected to be hit by losses in the UK, where Michelin lost £10.85m ($13.1m) in the first half of last year.

Michelin has also continued to be burdened by heavy debt charges. To ease this burden, the company negotiated a FFr 4bn loan last year from *a group of French banks at* preferential interest rates to consolidate *some of the company's short-*term borrowings into longer-term debt.

● French car production fell 6.9 per *cent to 690,700 in the first quarter of* 1985 compared with 741,900 a year earlier, according to CSCA, the manufacturers' association. Exports were only *marginally lower though*, at 392,200 against 394,300, despite a 5 per cent *fall in the overall European* market. State-controlled Renault led in output in the first three months with 365,000 cars, followed by the privately-held Peugeot group with 325,700.

Slower growth in quarter for Asea

BY OUR STOCKHOLM STAFF

ASEA, a Swedish electrical engineering and electronics group, reports slower growth in the first quarter, with operating results after depreciation climbing by 2.6 per cent to SKr 506m ($56.1m).

The group's North American transformer operations have been hit by weak markets, and extensive rationalisation can be expected this year. The pace of earnings growth slowed in the Swedish subsidiaries, which generate about 46 per cent of total sales.

Asea reiterates its forecast that full year pre-tax earnings will rise from the SKr 2.23bn achieved last year, however, and expects somewhat higher growth in the stronger last three quarters.

Sales climbed by 12 per cent to SKr 8.74bn from SKr 7.8bn. Order bookings rose in most business areas to SKr 9.82bn, a 29 per cent increase. Operating costs climbed nearly 13 per cent to SKr 8.04bn. Net financial income more than doubled to SKr 39m (although the first-quarter figure does not include exchange rate losses), yielding a result after financial items of SKr 547m, up 6.5 per cent.

Extraordinary income of SKr 15m helped boost the pre-tax figure to SKr *582m*, an 18 per cent rise from the SKr 475m achieved a year earlier.

During the first quarter, Asea acquired a majority stake in Tolley Holdings, New Zealand's largest electrical equipment manufacturer with annual sales of SKr 250m. It also sold its 60 per cent holding in Scandinavian Glasfiber.

INTERNATIONAL BONDS

NatWest launches $1bn floater

BY MAGGIE URRY IN LONDON

NATIONAL Westminster Bank's expected perpetual floating rate note was launched yesterday, and weighed in at a massive $1bn. The demand for such paper is such that the issue traded comfortably within its fees despite an interest rate tighter than on Lloyds' and Midlands' $750m issues.

Like those two earlier issues, the paper will count as primary capital by virtue of a provision that in the event of liquidation, the noteholders will be ranked as preference shareholders, though above holders of the existing cumulative preference shares.

The issue comes in two tranches of $500m each. Both will pay interest at ⅛ per centage point above the mean rate between six-month London interbank bid and offered rates (Libor). But the second tranche will have a first interest period of one month so that the rollover dates will be staggered by one month. This portion of the issue traded slightly less well than the first, which was bid yesterday at 99.63, while fees total 67½ basis points.

*The rally in the fixed-rate Euro-*dollar bond market continued yes*terday morning with prices up by ½* point. Deutsche Bank chose the moment to launch a two-tranche issue for Australia, which proved to be perfect timing for the issue.

The name is well liked among retail investors and there has been no dollar issue from this borrower for two years. The shorter portion of the deal, which raises $200m, has a 10-year life with an 11 per cent coupon and par issue price. It cannot be redeemed early (except for technical reasons). Fees on this part are 2 per cent, giving a cost to Australia just under the U.S. Treasury yield curve. This tranche was bid at 99¼.

The second part of the deal, amounting to $100m, has a 15-year life – unusual in the Eurobond market although Australia has an outstanding 15-year issue. It has call protection for 10 years. The coupon is 11¼ per cent and issue price par. It too traded well within its fees, of 2¼ per cent, bid at 99½.

Traders regarded the deal as being just right for the *market's mood* yesterday in terms of quality and pricing.

Merrill Lynch was not so lucky *with an $200m issue of four-year pa*per for General Motors Acceptance *which was launched in the after*noon. This has a 10¼ per cent coupon and par issue price. With fees to 1⅞ par cent, the cost to GMAC was around 25 basis points over Treasury bond yields. By its launch the New York market had gone off the boil, although it was still steady, and the terms were seen as aggressive. The bonds were offered at a discount of 1⅜ per cent.

BHF Bank bond average		
May 13		Previous
102.195		102.067
High	1985	Low
102.360		99.840

Yamaichi International launched a $30m issue with equity *warrants* for the Japanese company Ryobi. The five-year bonds will pay a coupon indicated at 8¼ per cent.

There were no new issues in the D-Mark Eurobond market yesterday, although the *market continues* firm with prices gaining ¼ point on average. *Foreign buying on the* back of the weaker dollar overcame *any concern over the outcome of* the local elections on Sunday.

In the European currency unit market, the Council of Europe was able *to increase* both parts of its two-tranche issue launched last week. The seven-year portion was raised from Ecu 40m to Ecu 45m and the 10-year part from Ecu 20m to Ecu 30m. The deal still traded above issue price. On average, Ecu bonds gained ¼ point.

The Swiss franc foreign bond market was mixed, with prices unchanged on average. The mood is still optimistic.

Sweden launched a two-tranche issue raising a total of SwFr 450m. The shorter bond has a five-year life and is a private placement raising SwFr 300m. This has a coupon of 5½ per cent and issue *price of* par. The other portion has a maximum life of 10 years and the indicated yield is 5⅝ per cent. Dealers felt the terms would be acceptable to the market. Lead manager for both portions is Union Bank of Switzerland.

● Euro-clear, the *international* securities settlement company, is rebating $1.8m *of fees to its partici*pants in respect of the first quarter *of 1985. Of the total, $1.2m is a full* reimbursement of clearance and delivery *fees* and the remaining $600,000 is a partial repayment of *safekeeping fees.*

East Germany seeks $200m Eurocredit

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

EAST Germany returned to the Eurocredit market yesterday for a $200m, eight-year loan bearing markedly lower interest margins than its previous borrowings.

It has mandated Arab Banking Corporation, First Chicago and In*dustrial Bank of Japan* to raise the funds on the basis of a ⅜ per cent margin *over London Eurodollar* rates or ⅛ per cent over U.S. prime rate.

These margins are ⅛ point down *on the same borrower's last loan,* which was increased to $500m from an *initial* $150m because of *heavy* oversubscription. In the new deal the prime tranche, which is more expensive to the borrower, will also be limited to a maximum of 40 per cent of the total raised.

East Germany intends to use the funds for trade finance, a statement said, indicating that the deal is a new money borrowing rather than a refinancing of existing or maturing debt.

● Spain has selected First Boston *and Merrill Lynch to act as its deal*ers in a new $225m commercial paper programme in the U.S.

This will be Spain's first borrowing in the commercial paper market which, Finance Ministry officials say, will provide a cheap source of funds that can be used to prepay existing borrowings.

Spanish plans to tap the commercial paper market *first surfaced* last January when the country obtained the top A1 plus-P1 *rating from* Standard & Poor's and Moody's, the two leading U.S. credit rating agencies.

At that time, however, bankers *expected the programme to total* as much as $500m and that the Span*ish name could be introduced to the* commercial paper market through a top state entity such as Renfe, the state railway system.

Finance Ministry officials now say that Spain will tap the market in its own name, rather than use a state borrower. Still to be decided is the question of whether Spain will seek a standby bank credit to back up its borrowing, but expectations are that such a credit will not be considered necessary.

Actual launch of the programme is expected later in the summer.

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LENDERS BECOME SHAREHOLDERS TO RELIEVE TROUBLED GROUPS' DEBT PROBLEMS

Banks help revive Canada's lame ducks

BY BERNARD SIMON IN TORONTO

THE current restructuring of Turbo Resources, *the debt-laden* Calgary energy company, has highlighted the *pivotal* role played by Canadian banks in helping many of their large *customers survive* the 1981–83 recession.

Turbo is one of several dozen companies in which the banks have become *owners* as well as lenders by acquiring a substantial equity stake. *Canadian Imperial Bank of* Commerce (CIBC) and almost a dozen other *creditors* are to acquire 68 per cent of Turbo's shares under the restructuring *proposal*, in exchange for relieving the company of more than half its C$750m (U.S.$547m) in long-term debt. Turbo suffered a loss of C$105m in 1984.

Among other Canadian companies, in which banks are now sizeable shareholders, are the farm equipment *and diesel engine* manufacturer Massey-Ferguson, Cast Shipping and the two east coast fishing groups, National Sea Products and Fishery Products International. Their equity interests are centred, however, on Alberta energy companies, like Turbo, which relied on bank borrowings to finance *ambitious* acquisition sprees when oil and gas prices were shooting up in the *late* 1970s.

Earlier this year, Royal Bank of Canada took shareholdings in Sulpetro, whose debts totalled C$800m, and in Challenger International, formerly Turbo's contract drilling subsidiary. But the banks have so far managed to avoid becoming shareholders of the biggest debtor of all, Dome Petroleum. In Dome's case, they have preferred to reschedule the debt and nudge the company towards a modest public share offering, which it is now in the process of finalising.

Summing up the philosophy that has prompted banks to acquire equity in their troubled customers, Mr John Myers, senior vice-president of CIBC's special loans division, argues that "it would have been much more costly for the banks to put Turbo into bankruptcy and wind it up. We find that it has the ability, the markets and the management to generate cash over an extended period of time."

He remains optimistic that Turbo will *eventually* be able to repay its remaining debt too. The company *has sold off a large part of its as*sets, leaving it with a refinery in Alberta and a chain of service stations in western Canada. The proceeds of the recent disposal of almost 100 retail outlets in Ontario will be used primarily to expand Turbo's presence in the western market, rather than to repay debt.

Canadian law forbids banks from acquiring more than 10 per cent of a non-banking company without government permission. Approval has been willingly given in "distress" situations, although it has to be renewed every two years.

The substitution of equity for loans so far appears to have done the banks *little harm. Royal Bank* and CIBC, which have been most active in this type of restructuring, report that failures have been negligible. In several cases, the banks have begun to get their money back.

A Calgary gold mining and energy group, Camflo Mines, was able to pay Royal Bank over C$20m of a non-productive loan, when the company merged with another energy and mining group, Barrick Resources, last July. Royal acquired 6m warrants in the merged company as a result of the transaction but has sold half of them for C$1.5m.

Royal became a shareholder in *the profitable Calgary energy com*pany American Eagle Petroleums *last October when American Eagle* (in which the Belzberg family of Vancouver are large shareholders) bought the oil industry service division of Blake Resources, an ailing oil and gas producer whose major creditor is Royal Bank. American Eagle paid the bank C$2m in cash plus C$7.3m worth of convertible preferred shares in what appears to be a more secure investment.

The relatively smooth ride that banks have had so far has encouraged them to loosen the reins on some of the companies in which they own equity. Mr Victor Rice, chairman of Massey-Ferguson, recalls that when the group's first refinancing was arranged *in mid-1981* "there were tremendous clamps on the company. I could hardly go to the washroom without a banker wanting to approve it."

Now, he says, the constraints are less suffocating: "When we break a *covenant, we have a conversation* with the banks and we always get relief." Massey posted its first profit last year since 1979, despite the continuing slump in the farm equipment market.

CIBC *still has two senior officers* on the Massey-Ferguson board (the chairman *of Orion Royal Bank* – Royal's British merchant banking arm – is also a director). Interestingly, however, CIBC will not have a *representative* on Turbo Resources' board after the restructuring, despite *its larger proportional* shareholding in the Calgary company *than* in Massey-Ferguson.

Turbo's lenders will exercise control mainly by approving the company's annual budget and by quarterly performance reports. In an effort to avoid management by committee, approval of the budget by CIBC (by far the largest creditor and shareholder) will be deemed as a *nod from the rest of the lenders.*

The banks have been generous to Turbo in other ways too. They have agreed to forgive all unpaid interest since July 1983, amounting to at least C$128m. The bulk of the company's unsecured debt will be converted into common shares at a price well above ruling market values. *Furthermore,* CIBC *and its* partners have agreed not to demand dividends on preferred shares or interest on the debentures they receive under the restructuring plan until 1988.

In the words of one senior Canadian banker, *creditors' view of com*panies like Turbo is that, "if we continue to take some *downside risk*, we should be compensated if there's going to be some upside potential."

INTERNATIONAL COMPANIES and FINANCE

Swiss watchmaker returns to the black in year

BY WILLIAM DULLFORCE IN BIENNE

ASUAG-SSIH, Switzerland's dominant watchmaking group, has returned to profit, with net consolidated earnings of SwFr 28.5m ($10.3m) for *1984* compared with a SwFr 173m loss in the preceding year. Net sales rose by 8.8 per cent to SwFr 1.58bn.

The group's two constituent companies were merged in 1983, at the height of the crisis in the Swiss watchmaking industry, by a consortium of Swiss banks which took over 98 per cent of the share capital.

The profit recovery reflects both the general improvement last year in the performance of the watch industry, assisted by the rise in the U.S. dollar, and the restructuring effected within the group itself.

The most prominent manifestation of the turnround has been the success of the Swatch, a cheap and colourful plastic watch, sales of which reached 3.7m last year and are expected to more than double this year.

In November last year a group of private investors, led by *Mr Nicolas* Hayek, who acted as consultant to the group during its reorganisation, took an option on the purchase of 51 per cent of the shares. The price has not been disclosed but it will be raised in August if the purchase has not been completed by then.

M Pierre Arnold, former managing director of the Migros retail stores, took over as chief executive of Asuag-SSIH from April 1 in line with the wishes of the private investors.

Although Asuag-SSIH sold or closed down several subsidiaries during *1984* and others have been consolidated into the accounts for the first time, the management says a valid comparison can be made between the *1984 and 1983* figures.

Thus the operating result after almost unchanged depreciation of SwFr 173m and before extraordinary *items* moved from a loss of SwFr 86.8m last year to a profit of SwFr 8.9m.

Cashflow improved to SwFr 66.4m in 1984 against a negative cashflow of SwFr 12.2m in 1983.

The balance sheet has been trimmed by 6.6 per cent to a total of SwFr 1.5bn debt, both short and long-term, rose slightly during the year to SwFr 748m, while *shareholders' funds*, including the 1984 profit, totalled SwFr 420m at the end of the year.

M François Milliet, the board chairman, described *1984 sales* as only partially *satisfactory*. Emphasis, however, had been placed on reorganising operations in some foreign *markets* and *on improving* profitability.

The restructuring of the group was planned to be completed only at the *end of 1985, M Milliet* recalled. The Omega subsidiary was still running at loss even if the deficit had been sharply reduced, and the situation of some other companies, Tissot, Certina and Mido, had still not been corrected.

In the first three months of 1985 most group companies reported higher net sales and better results than budgeted but, M Milliet warned, the group was still at the mercy of outside factors which could have a negative effect on results.

The board of the holding company, with SwFr 9.3m at its disposal from the 1984 accounts, does not propose to pay a dividend but to allocate SwFr 8.75m to reserves.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 13.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amex Credit 12⅝ 88	150	104⅞	105⅜	+1⅛	+1¼	10.70
Austria Rep 13⅝ 92	100	109⅞	110⅜	+0½	+0¾	11.45
Bank Of Tokyo 12⅝ 92	100	†103½	104	+0¼	+1½	11.78
Bank of Tokyo 13⅝ 91	100	108⅜	108⅞	+0⅝	+1	11.56
BP Capital 11⅛ 92	150	98½	99⅝	+1⅛	+1¼	11.24
Caisse Nat Tels 13¾ 91	100	110⅛	110⅝	+0¼	+1⅜	11.29
Canada 11½ 92	500	100	100⅛	+0⅝	+1	10.98
Canadian Pac 12½ 98	75	104¼	104¾	+0⅝	+1⅛	11.81
CBS Inc 11⅝ 92	100	100¼	100¾	+2¼	+2½	11.24
Chevron U.S.A. 12¼ 89	600	103¼	103¾	+0⅝	+0⅞	11.16
Coca Cola 11¾ 91	100	104⅛	104⅝	+0⅛	+0¾	10.74
Denmark Kingdom 11½ 92	100	99⅛	99⅝	+0¼	+0¾	11.82
Denmark Kingdom 13¼ 91	100	105⅞	106⅜	+0½	+1⅜	11.73
Denmark 13⅞ 88 XW	100	107¼	107¾	+0⅛	+0⅛	10.90
Denmark Kingdom 14 91	100	109⅝	110⅛	+0⅜	+1	11.94
E.E.C. 11½ 00	100	100½	101	+0⅝	+1¼	10.88
E.I.B. 11 95	100	†*97⅝	98⅛	+0¼	−2⅜	11.35
E.I.B. 15 95	200	106⅝	107⅛	+0¼	+1¼	11.84
Export Dev Corp 12 89	100	103½	104	+0½	+0⅜	10.85
Exxon Capital Corp 0 2004	1800	11¾	12¼	0	−0¼	11.48
Ford Motor Cred 11⅝ 95	100	97⅜	97⅞	+0¾	+1	12.03
IBM Credit 10⅜ 2000	300	88¼	88¾	0	+1⅝	10.43
IBM Credit Corp 11¾ 87	200	102	102½	+0⅝	+0¾	10.08
Indust Bk Japan 12⅞ 89	100	106⅜	106⅞	+0⅜	+1	10.85
Indust Bk Japan 13⅞ 91	125	110¼	110¾	+0½	+1	11.38
Int-Am Dev Bk 12¾ 91	150	104⅞	105⅜	+0⅝	+0⅞	11.54
Japan Air Lines 13⅝ 94	100	111⅝	112⅛	+0⅛	+0½	11.22
Kellogg Company 10⅞ 90	100	100⅜	100⅞	+1⅜	+1½	10.96
Kellogg Company 11¼ 92	100	101½	102	0	−0⅛	10.84
L.T.C.B. 12⅛ 91	100	103½	105	+1	+1	11.53
Macy Cred Corp 11¾ 95	100	100¾	101¼	+0¼	+1⅜	11.55
Mellon Bank 13 87	100	104¼	104¾	+0⅝	+0⅛	10.62
Merrill Lynch 12¾ 88	100	104	104½	+0⅝	+0½	11.42
Minnesota 11½ 87	100	102½	103	+0¾	+0⅜	10.10
Mitsubishi Corp 13¼ 89	100	109⅛	109⅝	+1¾	+1⅜	10.36
Montagu 13¼ 91	100	†105¼	105¾	+1	+1	11.92
Morgan Guaranty 12⅝ 89	150	103⅞	104⅜	+0¾	+1⅜	11.49
Nippon Cred Bk 13⅞ 89	100	109	109½	+0¼	+0⅞	11.25
Nth America 12⅞ 91	100	104⅛	104⅝	+0⅝	+0⅞	11.82
Penney J.C. 12¾ 91	100	104⅞	105⅜	+1⅝	+1¼	11.53
Pru Realty secs 12⅛ 95	548	103¼	103¾	+1¾	+1¾	11.48
Quebec Hydro 11½ 92	100	101⅜	101⅞	+0⅝	+1⅛	11.14
Ralston Purina 11¾ 95	150	101¼	101¾	−	−	11.48
Ralston Purina 12¾ 89	100	105⅜	105⅞	+0¾	+0⅞	11.03
Royal Bk Can 12¾ 92 XW	100	†102⅞	103⅜	+0¼	+0¼	12.01
Saskatchewan 10 3/4 92	100	97⅜	97⅞	+0¾	+1⅛	11.25
Saskatchewan 11 7/8 89	100	103¼	103¾	+1⅜	+1¼	10.81
S.N.C.F. 12⅝ 92 XW	100	101½	102	+0½	+0⅜	11.88
Statoil 13½ 89	100	108⅝	109⅛	+0½	+1	10.73
S Wales Trsy 11¾ 90	150	102⅝	103⅛	+0⅛	+1⅜	10.90
Swed Exp Cred 12¾ 89XW	100	105	105½	+0⅛	+0⅞	11.11
Sweden Kingdom 10⅞ 90	200	99½	100	−	−	10.94
Sweden Kingdom 11⅛ 89	200	101½	102	+0½	+0¾	10.65
Sweden Kingdom 11¾ 94	100	101	101½	+0½	+1⅛	11.50
Texaco Capital 12⅞ 87	300	104	104½	+0⅝	+0¾	10.63
Texaco Capital 13½ 88	200	106⅞	107⅜	+0⅛	+0¾	11.25
Toronto Dom Bk 12½ 88	100	†101½	102	−0¾	−0½	11.72
Walt Disney Pro 12½ 87	150	105⅛	105⅝	+0¼	+1⅜	9.79
Weyerhaeuser 12¼ 87	150	103	103½	+0¼	+0⅝	10.59
World Bank 12¼ 94	150	103¾	104¼	+0½	+1	11.61
World Bank 12⅞ 94	200	106⅞	107⅜	+0½	+1	11.58

Average price change On day +0½ on week +0¾

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev Bank 8 94	200	101⅞	102⅜	−0⅛	+0⅛	7.64
Austria Republic 7⅝ 94	200	100¾	101¼	0	−0⅛	7.44
Baxter Travenol 7¼ 94	200	100½	101¼	−0⅛	+0¼	7.11
Credit National 8⅛ 94	200	103⅝	104⅛	0	+0⅞	7.52
Degussa Int Fin 7½ 94	100	105⅝	106⅛	+0½	+1¼	6.67
E.E.C. 8 92	200	102⅞	103⅜	+0¼	+0⅝	7.38
Escom 8 92	150	99⅞	100⅜	+0¼	0	7.95
Ferrovie Dello Stato 8 91	100	102⅝	103⅛	0	−0¼	7.40
Finland Republic 7 92	200	98	98½	+0½	+0⅞	7.33
Gould Int Fin 7⅝ 91	100	101⅛	101⅞	0	0	7.31
Ireland 8½ 92	150	102⅝	103⅛	+0⅛	+0⅜	7.80
Japan Fin Corp 7⅝ 91	100	102¼	102¾	0	+0¼	7.10
Mitsubishi Hvy 3½ 89WW	300	105	106	0	+0⅛	2.01
Mitsubishi Hvy 3½ 89XW	300	90⅝	91⅛	−0⅜	−0¼	6.12
Mitsubishi Met 3⅛ 89WW	100	96⅞	97⅞	−0⅛	+0⅞	3.75
Mitsubishi Met 3⅛ 89XW	100	86	87	0	+0¼	6.82
O.K.B. 7½ 88	100	100¼	101¼	+0¼	+0⅜	7.23
Pepsico O/S Fin 7¼ 94	250	102	102½	+0⅝	+1½	6.89
Renown 3⅛ 90	80	96	100	+1	+1½	2.23
Reynolds O/S Fin 7¾ 94	125	102⅞	103⅜	−0¼	−0¼	5.98
Societe Cent Nucleer 8 91	100	102⅛	102⅞	+0¼	+0⅝	7.47
Sth Africa Rep 8½ 91	200	101¼	102	+0⅛	+0⅛	8.16
Sth African Tran 7⅝ 92	100	96⅞	97¼	0	+0⅛	8.18
World Bank 7¾ 89	100	101½	102½	+0¼	+0¼	7.11
World Bank 8 94	200	103⅝	104⅛	+0½	+1	7.36

Average price change On day +0⅛ on week +0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev Bk 6¼ 94	100	†101½	102	−0⅛	−0⅛	5.99
Asian Dev Bank 6⅛ 98	100	†*101	101¼	+0⅜	+0½	5.98
Avon Cap Corp 5⅝ 94	130	†98	98¼	0	+0½	5.83
Brit land Comp 6½ 98	75	†103½	103¾	0	+0⅛	6.11
Council of Europe 6 92	120	†101	101½	0	+0⅛	5.78
Creditanstalt 5½ 94	100	†98	98¼	0	+0½	5.75
Deutsche Bk Fin 5⅝ 95	100	†102	102¼	0	+0¼	5.35
E.I.B. 5⅞ 94	120	†100½	100¾	−0⅛	−0¼	5.78
Eurofima 5 87	100	†*99	99¼	0	+0¼	5.10
Eurofima 5¼ 96	100	†100	100¼	0	0	5.23
Export Dev Corp 5⅝ 92	125	†99¾	100	0	+0½	5.38
First Boston Inc 5¼ 94	80	†101½	101¾	0	+0½	5.52
Gen Occidentale 4½ 94	80	†101	101½	+0⅛	+0⅜	4.33
I C Industries 5⅝ 94	125	†100⅛	100⅜	0	+1¼	5.53
Ind Fund Fin 5⅝ 94	40	†100¼	100½	+0¼	+0⅝	5.60
Int-Am Dev Bk 6⅛ 94	120	†101½	101¾	+0¼	+0⅜	5.89
New Zealand Govt 5¾ 94	150	†101¼	101½	+0⅛	+0⅝	5.55
N.Zealand steel 5¾ 98	70	†99	99¼	0	0	5.85
Oberoi Khwk 5⅝ 95	100	†97¾	98	+0¼	+0¾	5.86
Ost Donaukraft 5⅜ 95	70	†98	98¼	+0½	+0½	5.48
Ralston Purina 5⅜ 94	125	†98	98¼	0	0	5.40
Santos Finance Ltd 6 94	130	†98¼	98½	−0¼	−0½	6.22
Tokyo Elec Pwr 5½ 93	120	†99¼	99½	0	0	5.60
Tokyo Metropolis 5¼ 94	80	†97	97¼	0	+0½	5.64
World Bk 5¾ 94	150	†100½	100¾	0	+0¾	5.66

Average price change On day 0 on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Austria Republic 7 95	30	97⅛	97⅝	−0⅛	+0¼	7.36
BP Overzee 7 92	17	99⅝	100⅛	−0⅛	+0¼	7.02
Fed Natl Mort 6⅞ 92	50	97⅝	98⅛	−0⅛	+0⅝	7.28
World Bank 6⅞ 92	25	99⅛	99⅝	0	+0¼	7.02
World Bank 6⅞ 94	20	98⅛	98⅝	0	+0⅜	7.38

Average price change On day −0⅛ on week +0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Bell Canada 12¼ 97 C$	125	†*100¼	100¾	+0⅝	+0⅝	12.16
British Columbia 12 00 C$	125	†*101	101½	−0⅝	+0¼	11.84
Can Nat Rail 12½ 95 C$	100	†*101¾	102¼	−0⅝	+0⅝	12.13
Chrysler Cred 12⅝ 92C$	60	†*98½	99	+0¼	+0¼	12.98
Denmark 11⅜ 91 C$	100	†*97	98	0	0	12.22
Desjardins 12½ 90 C$	50	†*99⅞	100⅜	+0¼	+0⅝	12.46
E.I.B. 12 95 C$	75	†*98	98½	+0⅜	+0⅝	12.13
Giro Und Bk 10½ 93 ECU	80	105	105¾	+4¼	+0½	9.52
World BK 10¼ 89 ECU	125	105½	106¼	+0⅛	+0⅜	8.61
World Bk 10⅝ 94 ECU	75	106⅛	106⅞	+0⅜	+0¾	9.54
Akzo 7 90 Fl.	150	98¼	98¾	+0¼	0	7.37
Eurofima 7½ 92 Fl.	50	99⅝	100⅛	+0⅛	+0¼	7.52
Philips Lamps 7½ 00 Fl.	100	101	101½	0	0	7.19
Rank Xerox 9 90 Fl.	100	101¼	101¾	+0¼	+0½	7.82
World Bank 7½ 90 Fl.	150	99⅞	100⅜	+0¼	+0½	7.47
Charbonnages 13⅞ 85 FF	400	101⅛	102⅛	0	0	10.69
American Brands 12 95 £	40	104⅛	104⅝	+0⅛	−0⅜	11.22
Amer Express 11⅝ 92 £	30	101⅝	102⅛	+0¼	−0⅛	10.96
Australia Comm 11 92 £	40	97¾	98¼	+0⅛	−0¼	11.42
BP Capital 10¾ 92 £	50	96¾	97¼	+0⅛	−0¼	11.36
E.I.B. 11⅛ 93 £	50	97⅜	97⅞	+0⅛	−0½	11.58
Inco 12¾ 93 £	50	98⅜	98⅞	+0⅛	0	12.79
Mcdonalds 10⅞ 90 £	40	98	98½	+0⅜	0	11.36
Norsk Hydro 11⅜ 91 £	50	102⅜	102⅞	0	−0⅜	10.97
Privatbanken 11⅞ 92 £	20	98½	99⅜	+0¼	0	12.22
Rank Xerox 11 92 £	40	96⅜	96⅞	0	−0⅜	11.73
Royal Trustco 11⅜ 90 £	30	99	99½	+0¼	0	11.87
Star Drug Cap 10⅞ 90 £	30	97⅝	98½	+0⅛	−0⅛	11.45
Swed Exp Cred 11⅜ 92 £	50	98⅞	99⅜	+0⅛	−0⅛	11.55
Trusthouse Forte 11⅛ 90£	50	97	97½	0	−0⅜	11.88
World Bank 11¼ 95 £	100	97¾	98¼	+0¼	−0¼	11.60
E.C.S.C. 10½ 94 LF	100	103¼	103¾	+0⅝	+1⅛	9.77
Nat Lux Alum 10½ 92 LF	600	103⅝	104⅛	+0⅛	+1	9.67

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0⅛	100⅛	100⅜	11/10	9⅝	9.60
BankAmerica O/S 5¼ 96	0⅛	100⅛	100⅜	28/6	8.81	8.79
Bank of Montreal 5 96	0⅛	100½	100¾	28/7	8¾	8.70
Bankers Trust 5 2000	0	99¾	100	11/6	9.81	9.82
Bankers Trust 5¼ 96	0⅛	100⅛	100⅜	13/6	9.31	9.29
Barclays O/S Inv 5 2004	0⅛	100⅜	100⅝	4/8	10¼	10.20
B.F.C.E. 5¼ 99	0⅛	100½	100¾	13/9	10.06	10.00
B.N.P. 5¼ 95 (July)	0¼	100	100¼	29/7	9⅛	9.11
C.C.F. 5¼ 97	0	99⅞	100⅛	22/9	10⅝	10.65
Chase Man'tn 5¼ 2000	−0⅛	100	100¼	5/6	[illegible]	[illegible]
Citicorp O/S 5¼ 95 Sep	0⅛	100	100¼	18/12	11.19	11.17
Credit Lyonnais 5¼ 96	0⅛	100½	100¾	11/10	9.88	9.83
Dresdner Fin 5¼ 90	0	100	100¼	28/5	9⅝	9.36
Ireland 5¼ 97	0	100¼	100½	23/10	9.89	9.85
Ireland 5¼ 92	0	100⅜	100⅝	14/8	10	9.83
Italy, Republic 5 94	0⅛	99⅞	100⅛	9/5	9.94	9.94
Lloyds Euro 5 2004	0⅛	100	100¼	18/10	9⅛	9.11
Midland Int Fin 5 99	0⅛	100½	100¾	6/8	10.44	10.37
Nat West—Perp 5 90	0⅜	100⅞	101⅛	13/5	10⅝	10.27
Queensland Coal 5¼ 96	0¼	100½	100¾	9/5	10.66	10.60
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	2/5	5¼	5.29
Societe Gen 5¼ 95	0	†100⅝	100⅞	12/10	9½	9.42
Sweden Perp 0¼ 85	0¼	100¼	100½	8/7	9.44	9.40
Tokai 5¼ 92	0⅛	100⅜	100⅝	12/6	9.94	9.90
Toyo 0¼ 99	0⅛	100¼	100½	14/8	9.81	9.78

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	98¾	99¾	+0¼	8.17
Fanuc 3¾ 95	1/84	7032.3	103⅞	105⅛	0	37.07
Fujitsu 3 99	5/84	1320.9	93⅛	94⅛	−0⅛	18.70
Kumagai Gumi 3½ 2000	3/85	600	104⅞	105⅞	−0⅛	−2.16
Marui 3⅛ 99	7/84	1162	89⅜	90⅜	+1⅛	0.73
Mitsubishi Elec 2⅞ 00	3/85	422	84	85	−0⅛	−0.43
Murata 3½ 95	2/84	2351.2	111⅛	112⅛	+1⅞	24.70
Murata 3½ 2000	7/84	2398	109⅜	110⅜	+1⅜	25.18
Nippon Elec 2⅞ 2000	1/85	1295	86⅝	87⅝	+0⅛	18.58
Nippon Oil Co 3 2000	5/85	923	95⅝	96⅝	—	9.97
Nippon Oil Co 3¼ 99	3/84	1052	85½	86½	−0⅛	11.97
Oki Elec Ind 3½ 92	10/84	805	86¼	87¼	−0⅛	16.22
Orient Leasing 5¼ 98	6/83	2680	99½	100	+0⅝	0.08
Sekisui House 3 98	6/84	812	94⅛	95⅛	+0⅝	−1.60
Sony Corp 2 2000	5/85	4578	92⅝	93⅝	+0½	4.47
Sumitomo Corp 2⅞ 99	5/84	588	90¼	91¼	+0⅜	−1.87
Taiyo Yuden 3¼ 2000	3/85	1078	98⅛	99⅝	−0⅝	−0.28
Takeda Riken 3⅞ 2000	10/84	7683	92	94	+1¾	12.95
Tokyo Sanyo Elec 3½ 99	12/84	772	90¼	91¼	−0⅛	5.80
Toshiba Ceramics 3 2000	4/85	1734.2	92½	93½	−0¼	0.05
Nippon Oil Co 2⅛ 92 SF	3/84	1052	†103	103½	−1	12.87
Nippon Shinpan Co 2 92 SF	3/84	801	†93½	93¾	−0⅝	22.28
Settsu Paper 2¼ 92 SF	4/84	677	†138	140	0	−4.39
Asics 5 92 DM	12/83	520	102⅝	103⅝	+0½	27.48
Sum Realty 6¼ 92 DM	2/83	365	211	212½	+2⅞	8.36

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Prices: Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Offer Calculations: Premium (%)	Gearing	Premium/ Gearing Ratio
CASIO 6/3/89	42.00	43.50	1,650	10.94	2.83	3.86
C ITOH 4/5/89	15.50	20.00	370	12.23	4.92	2.49
C ITOH 20/1/87	41.00	44.00	370	37.07	2.23	16.68
FUJIKURA CABLE 28/4/89	5.50	7.50	305	37.49	9.43	3.87
HAZAMA GUMI 1/11/89	5.00	9.50	380	35.62	8.38	4.25
J S R 28/4/89	7.00	8.50	360	34.89	8.68	4.08
JUSCO 22/12/88	71.00	74.00	781	29.71	1.77	15.80
KAYABA 15/2/89	10.50	12.00	321	7.18	8.22	0.87
KUMORI PRINT 20/12/89	19.50	21.00	2,650	12.41	5.07	2.45
MARUZEN 12/2/90	9.00	10.50	490	31.47	8.28	3.80
MINEBEA 20/2/89	34.00	36.00	625	68.64	2.13	32.18
MIT CHEM 20/1/87	74.00	79.00	463	29.65	1.65	18.01
MIT CORP 7/11/88	12.50	14.00	521	10.31	8.98	7.48
MIT GAS 20/3/89	11.50	13.00	336	11.13	7.08	1.57
MITSUI E/S 15/10/88	10.00	12.00	167	13.57	7.71	1.76
MITSUI E/S 10/12/87	21.00	23.00	167	8.77	5.01	1.36
MIT METAL 10/2/89	74.00	77.00	634	34.39	1.65	20.90
MIT METAL 10/11/89	12.50	14.00	634	26.48	8.22	4.28
MITSUI PET CHEM 15/2/90	22.00	23.50	410	13.80	4.78	2.85
NIPPON MIN 17/3/89	81.00	83.00	399	38.98	1.50	26.04
NISSHO IWAI 1/2/89	5.50	7.00	255	18.03	12.15	1.48
NOMURA 31/10/88	51.00	52.50	1,100	1.52	2.72	0.56
OHBAYASHI GUMI 5/4/89	39.00	41.00	240	48.22	2.15	22.44
OMRON TATEISHI 31/3/89	8.50	11.00	1,680	52.19	5.99	8.72
ONODA CEMENT 10/4/89	30.00	33.00	340	0.07	3.73	0.02
ONODA CEMENT 28/2/90	13.50	15.00	340	18.81	6.67	2.82
OPTEC DAI-ICHI 23/2/90	21.00	22.50	697	15.09	4.88	3.10
OSAKA TRANSFORMER 29/1/90	13.50	15.00	502	17.32	8.61	2.62
RENOWN 24/1/89	6.60	7.50	652	29.25	10.40	2.81
SEINO TRANSPORT 17/3/89	5.00	8.50	940	30.19	11.22	2.69
SEIYU STORES 20/3/87	53.00	55.00	653	53.58	1.75	30.67
SONY CORP 26/4/90	21.00	22.50	4,140	31.84	4.18	7.61
SUMI CONSTRUCTION 24/3/89	42.00	45.00	208	39.81	2.15	18.56
SUMI HEAVY 24/2/89	7.50	8.00	228	8.28	10.69	0.59
SUMI REALTY 21/11/89	22.50	24.00	591	9.80	4.64	2.11
TOKYO ELECTRIC 14/3/89	8.50	8.00	1,200	25.63	8.98	2.87
TOKYO SANYO 8/6/87	139.00	142.00	664	62.56	1.04	60.40
TOKYU CORP 29/1/90	18.50	21.00	390	0.85	5.80	0.15
TORAY 5/3/87	10.00	11.50	453	11.52	8.15	1.41
TOYO ENG 28/2/89	51.00	53.00	670	57.58	1.75	32.96
YAMAMURA GLASS 8/5/90	11.50	13.00	575	16.65	7.47	2.10
YAMATO KOGYO 29/1/90	11.00	12.50	584	18.01	7.68	2.48

Reuters Monitor DABF/G/H/I/J - Further information from:
Freddy Glock, Simon Gamse or Beverly Kelly on 01-248 8080
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UAE banks suffer sharp setbacks

BY ANGELA DIXON IN ABU DHABI

THREE LARGE banks in the United Arab Emirates have announced results for 1984 which demonstrate the sharp downturn in banking activity in the UAE.

National Bank of Abu Dhabi (NBAD), by far the largest UAE bank, had assets of $5.9bn at the end of 1984, down 3.6 per cent from the 1983 figure of $6.12bn. Profits dropped 64 per cent to $10.1m last year from $28.4m in 1983. The decline is even more pronounced when compared with 1982's profit of $54m.

NBAD is owned largely by the government of Abu Dhabi through the majority shareholding of the Abu Dhabi Investment Authority, which is itself wholly government-owned. NBAD's capital was increased by 10 per cent in 1984, to $240m, but no dividend has been distributed.

Bank of Oman, majority owned by the Al-Ghurair family of Dubai, reports assets of $2.4bn, up slightly from 1983's $2.2bn. It is probably the second largest bank in the Emirates, although this will be difficult to tell before first-time figures are announced for several recently merged banks.

Group profits for the year were down from $16.2m in 1983 to $11.9m.

Middle East Bank (MEB) another large privately-owned Dubai-based bank, has assets of $1bn, although that figure was lower than 1983's $1.1bn.

The MEB report notes that Al Futtaim (Private) has indemnified MEB against exceptional losses in respect of certain specified advances to third parties. As a result, provision in 1984 for loan losses of DH 100m ($27.2m) is no longer required, while half of that sum has already been received by the bank under the terms of this indemnity.

Slackness in trade and the construction industry are not the only reasons for this year's lower figures. At least part of the explanation lies in the central bank's decision to insist upon the classification of outstanding debts.

● The Abu Dhabi Government has chosen Sultan Nasser al Suweidi, presently general manager of Gulf International Bank (GIB) in Bahrain, to be managing director of the newly-formed Abu Dhabi Commercial Bank.

Mr Suweidi already has a distinguished record in the banking sector. A member of a prominent Abu Dhabi family, he was from 1978-82 a deputy director in the finance and administration department at the Abu Dhabi Investment Authority (ADIA).

While there, he represented ADIA on the boards of various financial institutions, including the Abu Dhabi Investment Company (ADIC), Arab Leasing and GIB.

The Abu Dhabi Commercial Bank is expected to begin functioning from July 1, and Mr Suweidi will remain at GIB until then. The new bank will effectively be formed by the amalgamation of three existing banks—Emirates Commercial Bank, Federal Commercial Bank, and Khleej Commercial Bank.

Khleej Commercial's authorised capital is to be raised to DH 1.5bn ($400m) from DH 500m by a subvention from the Abu Dhabi Government. Emirates Commercial and Federal Commercial will be absorbed into the new bank.

The policy of merging some of the 30 or so banks in the United Arab Emirates has long been encouraged by the authorities, although the impulse for this merger—the first of its kind in kind in Abu Dhabi—came from the Abu Dhabi Government.

● Two more UAE banks are to merge soon. Shareholders at the Bank of the Arab Coast (BAC) have agreed to a merger with Ajman's First Gulf Bank. Both BAC and First Gulf are small banks. First Gulf has a single branch in Ajman, while BAC has a management office in Dubai with its head office in Ras al Khaimah.

Both banks have strong Kuwaiti representation among their shareholders. First Gulf had assets at the end of 1983 of $232m, while BAC's 1983 asset figure was $82m. Neither bank has published results for 1984.

First Gulf is known to have approached the UAE central bank for permission to open branches in Abu Dhabi and Sharjah, but so far these have not been approved.

The merger is the latest in a series which have taken place in the emirates in recent months in accordance with central bank policy. Earlier this year, Emirates National Bank was acquired by the Bank of Oman, and Dubai Bank was acquired by Union Bank of the Middle East.

MBF Holdings bids for Emtex

By Wong Sulong in Kuala Lumpur

MBF Holdings, the Malaysian finance and property group, has launched a takeover bid for the publicly listed Emtex Corporation and is also seeking to acquire an office building in Kuala Lumpur through share exchange deals worth nearly 250m ringgit (US$104m).

MBF is offering six of its shares for every five shares of Emtex, while it will issue 24.7m new shares for the purchase of the 20-storey building located in what is commonly referred to as Kuala Lumpur's "golden triangle" commercial district.

Emtex, which is involved in textile manufacturing, property and plantations, is capitalised at 76.3m ringgit and the offer puts a value of nearly 200m ringgit on the company, or 2.60 ringgit per share compared with the closing price of 2.17 ringgit per share.

If the two acquisitions get full acceptance, MBF will have to issue 116.2m new shares, enlarging its paid-up capital to 482.6m shares.

Japan issues guidelines on overseas lending

BY YOKO SHIBATA IN TOKYO

THE JAPANESE Ministry of Finance, in an effort to match its continuing programme of market deregulation with adequate supervision of Japanese banks' overseas activities, has put into effect a new system of prudential guidelines for lending based on a risk to asset ratio.

The new guidelines, which are modelled on those recently imposed by the Bank of England, are intended to provide for prudential supervision of the so-called off-balance sheet risks now being undertaken by banks in many countries.

Such risks, including currency swaps, interest swaps, commitments under note issuance facilities and under revolving facilities, are under discussion by the Cooke Committee made up of officials from central banks of most leading industrial countries.

The MoF has not yet indicated exactly how it proposes to deal with any of these types of transaction, beyond saying that it will give further consideration to all of them.

In the meantime, however, it will lower slightly the permitted ceiling on overseas lending. For approximately the next 12 months, no Japanese bank will be allowed to lend more than 14 times the sum of its capital and reserves to any one non-resident borrower. This compares with a ceiling of 15 times capital and reserves at present.

Earnings ahead by 41% at NZ Forest Products

BY DAI HAYWARD IN WELLINGTON

NEW ZEALAND Forest Products has celebrated its 50 years of operations with a 41 per cent jump in net profit to NZ$110.1m (U.S.$50m).

Shareholders will receive a bonus issue of one share for five held, and a final dividend of 8.5 cents, which will be paid on the bonus shares. Total dividend is 14.5 cents tax paid.

Sales reached NZ$1.1bn, up 31 per cent from last year's NZ$840m. The company reported excellent sales over the whole range of its forestry and timber products, although Mr Lyn Papps, the chairman, said prices were slipping towards the end of the year.

There was a big jump in the company's tax bill from NZ$6.4m to NZ$21.9m. This was due partly to the phasing out of export incentives, a trend which will be reinforced during the coming year.

UEB Industries, the leading New Zealand packaging and carpet producer, has also shown a record trading profit of NZ$20.4m and will make a one-for-eight bonus issue. The directors are confident they will maintain this year's 12.5 per cent dividend next year on the increased capital.

Sales rose to NZ$316m from NZ$264m, with export sales, particularly of carpets, contributing NZ$67.6m.

Saudi drug group oversubscribed

BY FINN BARRE IN RIYADH

SAUDI Pharmaceutical Industries and Medical Appliances Company (Spimaco), the first Saudi company to manufacture drugs domestically, has announced that its flotation of 1.8m shares worth $50m was three times oversubscribed.

The public will own 60 per cent of Spimaco, which will be capitalised at $83.33m. In addition, the National Industrialised Company has purchased 9 per cent. Jordan's Arab Company for the Drug Industries and Medical Appliances (Acdima) has taken a 25 per cent share, while a group of 116 Saudi businessmen have purchased the remaining 6 per cent.

Ayala profits advance 22%

By Samuel Senoren in Manila

AYALA CORPORATION, the Philippines' largest property based company, has reported a 22 per cent rise in net profits to 142.3bn pesos ($7.7m) for 1984, on a flat turnover of 636bn pesos.

The bulk of the revenues, however—about 40 per cent—did not come from the real estate business but from export trading, which it pursued aggressively.

Exchange rates peg BOC growth

A GOOD result has been achieved by the BOC Group in the first half ended March 31 1984, with profits before tax increasing by £19.2m to £78.7m. Performance was affected adversely by exchange rates with the Australian dollar and the South African rand, but U.S. dollars were sold forward to cover anticipated dollar earnings at a more favourable rate than that which applied at the close of the 1984 financial year.

The effect of exchange rates was the main worry of City analysts in forecasting the half-time figures, and most of them were going for around £75m pre-tax. The shares rose 7p to 291p.

Mr Richard Giordano, the chairman, says the group has made a good start to the year. It has a reasonably well balanced portfolio of businesses within its gases and health care divisions which will continue to provide new investment opportunities and growth in earnings. The graphite electrode business remains a problem, though of diminishing significance as the rest of the portfolio grows.

As regards the outcome for the second half it is too early to comment, Mr Giordano states. "All we have is April and that's OK — OK for us is very good."

On dividends, the chairman says it is the aim to produce dependable real growth for shareholders. The directors are confident about the group's performance over the balance of the year and in the longer term; accordingly, they are lifting the interim payment from 3.15p to 3.85p net per share, with the option again of shares in lieu of cash. Some 25 per cent of shareholders are now availing themselves of each such option.

For the half year overall sales improved by 11 per cent, from £940.3m to £1.04bn, while the operating profit advanced by 28 per cent, from £94.7m to £121.3m. The second quarter contributed £488m and £58.9m respectively, and the pre-tax profit for that period came to £40.7m.

A split of the operating profit in divisions shows gases and related products accounted for £78.6m (£65.3m), health care £41.3m (£26.8m), carbon and carbide loss £3.5m (profit £4.7m), other businesses £10.5m (£5.2m), less corporate charges £6.2m (£6.9m) and discontinued businesses £600,000 (loss £400,000).

Geographically, the split was Europe £32.5m (£26.2m), Africa £9.8m (£10.2m), Americas £56.6m (£34.1m), Asia/Pacific £21.7m (£24.6m).

The operating profit was stated after depreciation of £98.2m (£83.5m), including additional charge on a replacement cost basis of some £20.5m (£22.4m).

Group borrowings at £777.8m are £20.8m lower than at September 30 1984, the principal factor being the conversion of £57.3m of 9 per cent convertible unsecured loan stock on its first conversion date. Gearing reduced from 35.5 to 34.2 per cent.

Capital expenditure is continuing on an annualised rate of around £300m, excluding acquisitions, of which some £100m will be spent in the UK this year.

Between £75m and £90m is planned to be spent in the current year on small "niche" acquisitions in addition to the £300m. But these will fit into the health care and gases operations rather than mark a major diversification.

"We are not interested in a major diversification. Within our health care and gases businesses we have an enormous amount of diversity," the chairman states.

Mr Giordano says the principal reason for the improved result in gases was the performance in the U.S. Benefit continued from the substantial investments in new plant undertaken during the 1982-83 recession and from economic growth in that market, although this is now slowing down.

UK gases business continued to perform strongly despite the effects of the miners' strike. This business generated good profits and a strong cash flow.

Performance in Africa was stable, and operating profit in

Mr Richard Giordano

South Africa was maintained despite the severe economic difficulties there.

The effects of exchange rates—notably for the Australian dollar—masked a satisfactory performance in local currency terms in operations in the Asia/Pacific region.

Since September 30, Jackson Products division and Aronson, both part of the U.S. welding business, were sold, as was Heimsyphon, a soda syphon and cream whipping equipment manufacturer in Germany, and distribution company in Spain.

Results in health care represent a recovery from most of the problems experienced in the U.S. medical equipment business, Ohmeda, last year, and continued growth in other health care businesses.

Anaquest, the anaesthetic pharmaceuticals business, produced an excellent result again. Glasrock Home Health Care met expectations and, now with more than 200 branches across the country, is the largest such business in the U.S. Other health care activities also produced improved profits.

The very disappointing result from carbon and carbide is in line with the assessment that the profit performance of the electrode product line would get worse before it got better. The performance is expected to improve during the balance of the year, given no further strengthening of the dollar, but it will still not produce a satisfactory performance. "Whether it will break even this year we don't know."

Results for the sector as a whole masked a continued good performance by the carbon specialty products division which accounts for some 20 per cent of total carbon business. The performance of carbide business was depressed by disappointing results in Europe, due in large part to the UK miners' strike.

In recent years the vacuum engineering businesses have developed new products and applications that offer exciting potential for profitable growth. The business in the UK, Edwards, produced a substantial increase in profits in the first half, thanks to an impressive growth in exports as well as in margins.

Transhield, which transports chilled food throughout Britain for Marks & Spencer, continued to grow in both turnover and the interest in a small gas profits.

Educational Services division in the U.S. experienced a difficult first half. In the UK, the London Computer and Electronics School, which is more of an experiment than a business venture at the moment, is showing great promise.

After tax £27.4 (£15.8m), including £18.9m (£9.6m) overseas, and minority interests £6.2m (£7.4m), net earnings for the six months came to £45.1m (£36.3m). This equals 11.4p (8.35p) per share undiluted and 10.34p (8.53p) fully diluted.

Mr Giordano, who is an American citizen, is the highest paid executive in the UK with a salary of nearly £772,000 last year. He points out that it is not linked to profits; a substantial part is paid in dollars and "if the dollar continues to weaken it could actually come down."

See Lex

M. Brown up 14% and still against S&N

Matthew Brown, the Blackburn-based brewer which is defending itself against a Monopolies Commission referred bid from Scottish and Newcastle Breweries, yesterday announced a 14 per cent rise in pre-tax profits for the first half of the 1984-85 year.

The outcome for the 26 weeks to March 30, 1984 came to £3.12m against £2.73m, and the shares rose 3p to 388p on the announcement—still some way below the value of the S & N offer.

Of the bid, Mr Patrick Townsend, chairman of Matthew Brown, reiterated that the board believes that the proposed takeover "is not in the public interest, nor in the interest of shareholders, employees and customers."

He said that the interim sales figures—which show a rise from £19.23m to £25.53m—reflect the inclusion of T. & R. Theakston bought for £3.07m last June, as well as normal growth in other sectors of the company's business.

Mr Townsend added that Theakston is now poised for profitable growth, and that Slalom Lager is continuing to gain market share. Retail developments are providing an increased contribution to group profits.

The half year's operations produced a trading surplus of £4.28m against £3.55m, from which a heavy increase in depreciation took £1.04m, up from £780,000.

The profit on the disposal of properties added £29,000 (£3,000) and on the disposal of investments £134,000 (nil). Investments last time provided income of £6,000. Interest charges accounted for a sharply increased £278,000 (£46,000).

After a tax charge of £1.25m against £1.22m, earnings per share are stated as 9.31p (7.19p).

The interim dividend is raised from 1.75p to 2.15p net per share. In the last full year the company paid a total of 8.162p from profits of £7.04m.

● comment

The North-West, and in particular the area around Blackburn, has not been enjoying the kind of economic climate that would enable a brewer to do outstandingly well. Nevertheless, the interim results of Matthew Brown are good enough to keep the forecasts for the year at £7.8m pre-tax. Margins have clearly been dented by the costs of absorbing both the T & R Theakstone brewery (bought in June for £3.1m — half cash, half shares) and the net addition of 18 pubs in the Carlisle area as a result of a swap plus £2.7m payment deal with Courage. However, it is not these developments that is having the most telling influence on the share price. In March, Scottish & Newcastle declared it's intent to spread it's wings over the Pennines by making a £91m bid for Brown. At the time the share price leapt up to just beyond the bid level but following a reference of the offer to the Monopolies Commission have slipped back some 50p to the present 388p. Those who remain holding the shares do so because they believe that the Commission will clear the bid and that S & N will then step back into the fray. Others, some of whom have been content to pocket £1 a share gain have sold up — feeling that a prospective p/e of 17 is a little rich for regional brewing which enjoys the less exclusive 10 to 12 range for multiples outside of bid situations.

Trafalgar House buys back French Kier stake

By Martin Dickson

Trafalgar House, the construction, shipping and property group, has bought back from AMEC a 14.9 per cent stake in construction group French Kier which it sold four years ago.

The deal is the latest in a series of share acquisitions Trafalgar has revealed in recent months in other construction and engineering groups. It is bound to increase speculation about the group's takeover intentions.

Mr Eric Parker, Trafalgar's chief executive, confirmed earlier this month that the company was looking for take-over opportunities in both the construction and oil sectors.

Trafalgar, which described the French Kier stake as a "trade investment," paid £9.85m for 7.275m shares, a price of 135p a share. French Kier shares rose following the news to close last night at 149p ex-dividend, up 19½p on the day.

The stake has a complicated sales history involving Trafalgar and two other companies—William Press and Fairclough—which came together to form AMEC in 1982. William Press first sold it to Trafalgar, which in 1981 then sold it on to Fairclough for £7m.

AMEC said yesterday it had sold the stake because it no longer formed part of the company's investment plans. There was no specific purpose to which the sale proceeds would be applied. AMEC's dividend income from French Kier totalled £594,000 last year.

French Kier, which gets more than three quarters of its earnings from contracting, last month pleased the market by reporting 1984 pre-tax profits of £16.35m—up 15 per cent in depressed conditions.

Trafalgar said earlier this month that it had bought a near 5 per cent stake in builder Higgs and Hill from Barratt Developments. In March is revealed it had built up a 5.5 per cent stake in Davy, the large engineering and construction group.

It has also made a £37m take-over bid for Haden, the electrical and mechanical engineer, but this has been topped by a £55.8m leveraged management buyout plan. Trafalgar is studying financial information given to the institutional backers of the buy-out before deciding its next move.

Mr J. C. Mott, French Kier's chairman, said last night that Trafalgar had not been in contact with him about the stake. Asked whether he expected a bid, he said he neither expected nor did not expect one.

Beazer £21m rights lays base for more expansion

BY ALEXANDER NICOLL

C. H. Beazer, the West Country construction group which has expanded rapidly with a series of acquisitions, yesterday laid the foundations for further purchases with a £21m one-for-four rights issue.

Mr Brian Beazer, the chairman, has transformed the Bath-based housebuilder founded by his father. Companies bought recently have included William Leech, a housebuilder which nearly doubled the group's annual production to about 4,500 homes, and M. P. Kent, a property group.

The acquisitions have caused a steep build-up in borrowings, from a net cash position of £6m last June to net borrowings of £45m today.

The City, however, had not expected Beazer to seek cash from shareholders since its liquidity was thought likely to be boosted by property divestments and by the £13.8m sale of its 22 per cent stake in Beth and Portland to Consolidated Goldfields, which topped Beazer's own bid for the company last Christmas.

The rights issue, raising £20.3m after expenses, is at 350p per share. Beazer's share price dipped to 398p in reaction, but recovered slightly to close at 400p, down 6p.

Mr Beazer said the share issue would cover the need for higher borrowings to finance the growth already undertaken and "provide a sound platform from which to continue to take advantage of opportunities for profitable expansion."

Mr Brian Beazer, the chairman

Beazer plans to consolidate its position in housebuilding, from which it believes it can derive significantly increased profits, and to expand other activities, especially contracting and building-related products.

City analysts interpreted this rationale as indicating that further acquisitions can be expected in contracting and building products, but not in housebuilding. Beazer is believed to be keen to increase its quarrying interests as well as products such as timber and plastics.

In addition to the rapid growth of housebuilding and property activities over the past few years, Beazer's separately-quoted engineering subsidiary, BM Group — formerly Braham Millar — recently paid £2.4m for Goodwin Barsby, a maker of crushing, screening and asphalt equipment.

Beazer has also bolstered its balance sheet by converting most of its short-term debt into medium-term loans. It has taken out a £20m medium-term bank loan, and has converted a further £20m through the private issue of a deep discount loan stock. In addition, the company has about £19m of convertible loan stock outstanding, issued to finance the purchase of William Leech.

The City is expecting pre-tax profits of about £15.5m in the year ending June 30, compared with £11.3m in the previous year on turnover of £132.6m. In the six months ended December 31, 1984, Beazer had pre-tax profits of £6.6m against £4.8m in the previous first half.

County Bank is underwriting the rights issue and L. Messel is broker.

USM debut for John Perkins

BY LUCY KELLAWAY

John Perkins Meats, the Somerset-based meat boning and packing company, is to come to the USM via an offer for sale through Statham Duff Stoop of 3.4m ordinary shares at 41p a share to capitalise the company at £3.94m.

The offer represents 34.42 per cent of the enlarged equity; of the proceeds, £437,000 is new share capital, and the remainder reduces the shareholding of Mrs Muriel Perkins, who has recently retired from the company.

The company was established by Mr John Perkins, chairman, 37 years ago. It is a boner and packer of meat, owns an abattoir which supplies 15 per cent of its meat requirements, and runs a refrigerated transport fleet.

Mr Perkins said yesterday that the new funds will be used to double the capacity of the Bridgewater abattoir and to improve the boning plant in Taunton, in a total capital expenditure programme of £900,000. Borrowings are negotiable.

When the improvements have been completed at the end of 1985 the company plans to tap overseas markets, selling to the EEC, the Middle East and North Africa, although no concrete arrangements have yet been made.

The company has forecast profits of £580,000 (£614,000) for the year to September 1985. A final dividend of 1.2p is expected and on the basis of a notional full year's dividends of 1.8p. The shares yield 6.3 per cent. At the offer price the shares are on an earnings multiple of 10.8 given an estimated tax charge of 37 per cent.

The offer has been fully underwritten, and closes on May 22. Dealings begin on May 30.

● comment

A meat packing company that comes to the market with three years of flat profit growth behind it, forecasting a slight fall in profits for the coming year doesn't sound like much to tempt the stags. However, John Perkins Meats is at pains to explain that the forecast downturn arises from the extra £98,000 in depreciation charges due to heavy capital spending from which future profit growth should flow, and to the absence of income from the Government's private aid programme which contributed some £50,000 in 1984, and which should contribute again in 1986. There is no reason to believe that the improvements now being carried out in the company's existing premises will not result in future profit growth, although like the management itself, those improvements are likely to be steady rather than startling. In all fairness, with a p/e of around 11 John Perkins is not pretending to be like its glamorous food predecessors on the USM, Simms, Mayhew or Meadowfarm. The company clearly knows its business inside out, and in 37 years has suffered one year of losses—in 1982 when the whole of the meat industry was in the red. Not too exciting; but not too risky either.

Third Mile

Despite a fall in turnover from £1m to £907,000, pre-tax profits for Third Mile Investment rose from £125,000 to £179,000. A final dividend of 1.2p is being paid, making a total of 1.9p (1.7p).

Net assets are £1.81m (£1.58m) and earnings per share 6.8p (4.6p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
BOC Group	int.	3.85	Oct 2	3.15	—	7.7
Matthew Brown	int.	2.15	—	1.75	—	8.16
Diploma	int.	1.25	—	1.25‖	—	5‖
Outwich Invest.		2	—	1.85	3	2.6
Readicut Intl.		1.3	—	1.2	1.45	1.2
Third Mile		1.2	—	1	1.9	1.7
Tysons		2.5	June 28	2.5	2.5	2.5
Welpac		0.3‡	—	—	0.3	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ In U.S. cents—total forecast was 1.5 cents. ‖ Adjusted for subdivision.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
145	123	Ass. Brit. Ind. Ord.	145	—	6.6	4.3	8.0	9.6
151	135	Ass. Brit. Ind. CULS	150	—	10.0	6.6	—	—
77	51	Airsprung Group	54	—	6.4	11.9	6.0	7.1
42	26	Armitage & Rhodes	34	—	2.9	6.5	4.2	7.1
146	109	Bardon Hill	146	—	3.4	2.3	14.7	24.5
58	42	Bray Technologies	53	+1	3.9	7.4	5.4	7.5
201	163	CCL Ordinary	163xd	−8	12.0	7.4	4.0	3.5
152	110	CCL 11pc Conv. Pref.	110	—	15.7	13.8	—	—
120	116	Carborundum Ord.	116xs	−1	4.9	4.2	5.7	6.0
88	84	Carborundum 7.5pc. Pf.	88	—	10.7	12.2	—	—
73	49	Deborah Services	49	—	6.5	13.3	4.7	7.5
320	182	Frank Horsell	320	—	—	—	12.9	16.8
268	170	Frank Horsell Pr.Ord.87	260	—	5.5	3.7	10.4	13.7
32	25	Frederick Parker	28	—	—	—	—	—
58	33	George Blair	57	—	—	—	3.8	7.7
50	20	Ind. Precision Castings	20	—	2.7	13.6	5.5	5.9
218	185	Isis Group	185	—	15.0	8.1	7.3	13.3
124	101	Jackson Group	105	—	4.9	4.7	4.9	9.5
285	213	James Burrough	238	—	13.7	5.8	8.4	5.4
93	83	James Burrough 9pc Pf.	89	—	12.9	14.5	—	—
87	71	John Howard and Co.	87xd	+1	5.0	5.7	6.9	10.9
225	100	Linguaphone Ord.	224	−1	—	—	8.2	5.5
100	93	Linguaphone 10.5pc Pf.	96	—	15.0	15.3	—	—
650	300	Minihouse Holding NV	640xd	−5	8.9	1.1	27.9	26.6
120	31	Robert Jenkins	56	—	5.0	8.8	—	—
60	28	Scruttons "A"	34	—	5.7	16.8	17.9	4.1
92	61	Torday & Carlisle	76	—	—	—	5.2	17.3
444	330	Trevian Holdings	330	—	4.3	1.3	18.8	18.4
30	17	Unilock Holdings	30	—	1.2	4.3	14.6	21.0
100	81	Walter Alexander	100	—	7.5	7.5	9.8	12.0
247	216	W. S. Yeates	224	—	17.4	7.7	5.4	10.9

Prices and details of services now available on Prestel, page 48146

Brooke Bond gives lift to Unilever

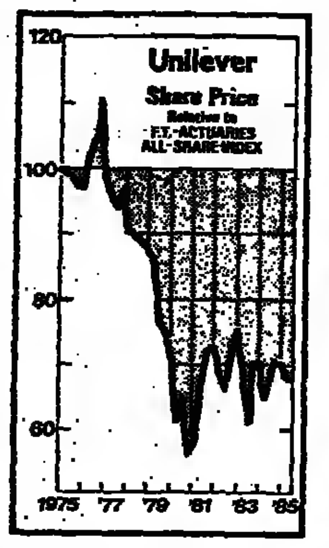
Unilever, the Anglo-Dutch foods and consumer products group, raised pre-tax profits from £193m to £218m in the first quarter of 1985, on higher turnover of £4.73bn, against £3.82bn.

Last October, Unilever acquired control of the Brooke Bond group. Sales and profits of Brooke Bond for the fourth quarter of 1984 were not included in Unilever's 1984 results, but are now taken up in the first quarter 1985 figures, together with the finance costs incurred in 1984 by reason of the acquisition.

In the first quarter, Unilever's value of sales was 24 per cent higher than the year before, while operating profits improved by 16 per cent to £231m (£199m).

Brooke Bond's fourth quarter 1984 sales and profits, less related finance costs, accounted for 8 per cent of the increase in sales and 10 per cent of the increase in operating profits.

European results were 14 per cent above the first quarter of 1984. Brooke Bond made an important contribution and the chemical business performed very well. However, the EEC cheap butter promotion adversely affected Unilever's edible fats operations throughout the quarter and results were down. Profits of the oil milling activities were lower because of pressure on margins.



North American sales were well ahead of last year, but results were significantly lower due to continued planned heavy investment to build both volume and market share in detergants and foods.

Unilever's operations outside Europe and North America had an outstanding quarter with sales and results substantially higher than in 1984. Brooke Bond made a major contribution to this result.

Sir Kenneth Durham, the chairman

Share of associates' profits was little changed at £11m (£12m). Other income from fixed investments rose sharply from £2m to £11m largely due to the sale of a trade investment in a French company.

Other interest receivable and similar income contributed £25m (£21m), while interest payable and similar income increased from £41m to £60m due to the acquisition of Brooke Bond.

Tax charge rose from £93m to £103m and there was a £1m credit (same) for previous years' tax adjustments. Minorities accounted for £11m (£7m) leaving an attributable balance of £105m against £94m. A £7m debit for exchange differences reduced the 1985 figure to £98m.

Combined earnings per share are stated up from 25.04p to 28.11p.

Profits attributable for the quarter at comparative rates of exchange increased by 12 per cent. The inclusion of Brooke Bond's fourth quarter 1984, less related finance costs, accounted for two third of the increase.

The results for the quarter and the comparative figures have been translated at comparative exchange rates. These are based on £1—Fl 4.13—U.S.$1.16m which were the closing rates of 1984.

An exception has been made for the results which have arisen in hyper-inflationary economies, which for the current quarter have been translated at the forecast closing rate for 1985.

The profits attributable for the first quarter have also been translated at the exchange rates current at the end of March. 1985 being based on £1—Fl 4.29—U.S.$1.23.

See Lex

Cartwright urges bid rejection

By Terry Povey

R. Cartwright (Holdings), the West Midlands-based building products group, yesterday published its formal reply to the share offer by Henderson Group for the company. This urged rejection of the bid and argues that the takeover move was an "opportunistic one" made following the dip in earnings in 1984.

Cartwright admits that 1984 was a difficult year, but argues that the company has a better profits record over the last five years than Henderson. The bid —5 Henderson shares for every 9 of Cartwright's—values the target at 136p a share on yesterday's 245p closing price for the bidder. Cartwright's shares were up 6p to 180p yesterday.

According to Cartwright, earnings per share have grown by an average of almost 50 per cent a year over the last five years. The company calculates that the return on shareholders funds is almost a third better than that achieved by Henderson—if the figures are calculated on the basis of the 1983 results.

Cartwright also dismisses the Henderson offer document's arguments on "industrial logic" claiming that its policy of moving up market as foreign imports have challenged for market share at the lower end has been successful and that Henderson has yet to make this move.

The formal reply also claims that the share offer undervalues the Cartwright contribution to the enlarged group

County Bank is acting as financial adviser to Cartwright whereas Henderson is being advised by Robert Fleming.

* * *

Mr A. T. Braio, chairman of James Wilkes, the computer stationery manufacturer, yesterday sold 1.5m shares at 202p in the company, reducing his holding to 20.9 per cent. However, Wilkes said Mr Brain had given a commitment to remain as chairman and would retain the balance of his holding. Wilkes shares closed at 206p, up 1p on the day.

Readicut rises to £4.5m and outlook encouraging

DESPITE continued upward pressure of rising raw material prices across all sectors of the business, trading profits of Readicut International, maker of specialist textile products, rose by over 10 per cent to £6.19m in the year to March 31 1985, against £3.77m previously.

Pre-tax profits advanced from £3.77m to £4.48m, of which £3.37m (£3.27m) came in the second half. Turnover was up from £101.86m to £107.9m. The group companies have started the current year with reasonably full order books and the outlook is encouraging.

The dividend total is raised from 1.2p to 1.45p net with a final of 1.3p. Stated earnings per 5p share were 3.99p (3.36p).

Gross profits were little changed at £24.53m (£24.49m) before distribution costs and administration expenses reduced from £19.83m to £19.17m. Other operating income added £0.83m (£0.95m).

Working capital was tightly controlled and interest charges were slightly lower at £1.72m, against £1.84m. Tax took £1.38m (£1.15m) and there were also reduced extraordinary charges of £0.87m (£1.14m).

● comment

These encouraging results from Readicut confirm its transformation from an unprofitable rug kit company into a successful maker of contract carpets and industrial furnishing fabrics. Despite the effects of strikes in the motor industry—which may have taken nearly £½m off pre-tax profits—Readicut still managed to beat most analyst's forecasts by a comfortable margin. The two main problem areas, yarns and fibres and handicrafts both moved from heavy loss-making positions into the black. The company's core businesses now look well placed, the carpet division is already seeing the benefit of extensive refurbishment in the High Street, and order books are in excellent shape. The year has also started well for the furnishings and textiles division, and barring further strikes it should easily improve on last year's result. If Readicut produces a total of £5½m in the current year, the shares up 4p to 33p stand on a modest p/e of 7½ given a 35 per cent tax charge. The yield is 6.3 per cent.

0.4m Westland shares go to institutional investor

Hoare Govett, official brokers to Bristow Rotorcraft, the City consortium bidding £89m for Westland, the helicopter manufacturers, yesterday said it had bought 410,000 Westland shares on behalf of one of the institutional members of the consortium.

Hoare added that the shares, representing 0.7 per cent of Westland's equity, were bought by the unnamed institution acting on behalf of its investment clients and not on behalf of Bristow Rotorcraft. The shares were purchased on May 10 at prices between 147p and 148p.

The consortium is to put up £60m in cash for 40m shares in Bristow Rotorcraft at a price of 150p once the offer for Westland becomes unconditional. The company will then apply for a full Stock Exchange listing and offer a one-for-one share swap which values Westland shares at 150p.

Suter raises Lloyd stake

BY LIONEL BARBER

THE REFRIGERATION, air conditioning and hair dressing salon manufacturing group Suter has increased its share stake in F. H. Lloyd, the foundry group, to 16.58 per cent.

The stake includes a holding of 100,000 shares by Mr Stephen Finch, an associate. He is a director of Lake & Elliot, another foundry group, which Suter bought for £8.27m in February.

Mr David Abell, Suter's chairman, is said to be keen to buy Lloyd, whose engineering and service interests he believes would fit into Lake & Elliot and another recent acquisition, Francis Industries, the gearbox components and metal containers maker.

Suter reported £4.14m pre-tax profits for 1984, up from £2.18m, on turnover of £47m. The company later disclosed that Francis Industries did not meet a revised profit forecast made during the bid. Suter's auditors, Coopers & Lybrand, were called in to examine the reasons.

UK COMPANY NEWS

Diploma warns of second-half shortfall

Diploma Investments, the electronic and building components group, increased pre-tax profits slightly from £7.58m to £7.81m *in the six months to March 31,* 1985. The directors warn however, that there is little prospect of repeating last year's second half result, which was achieved in "quite abnormal" circumstances.

They say prospects for the second half remain overshadowed by the uncertainty of the semiconductor market, to which the company can only largely react. Pre-tax profits for the last full year rose to a record £16.3m (£11.8m), of which £8.7m accrued in the second half.

Turnover for the period improved from £40.2m to £46.12m. After tax of £3.31m (£3.37m) the net balance was ahead £0.3m at £4.51m. Stated earnings per 10p share rose from 7.4p to 8p, while the net interim dividend is in effect unchanged at 1.25p—last year's total was 5p after adjusting for the share subdivision.

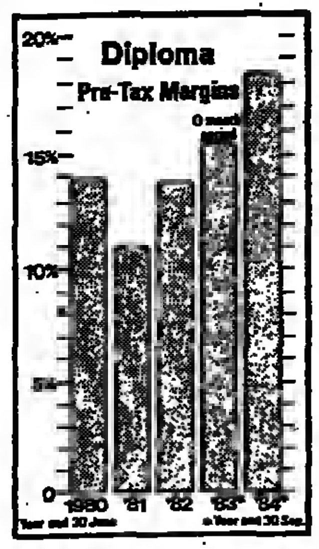
The directors point out that although the little changed half-time profits appear disappointing, the trading conditions under which the results were produced were quite dissimilar. On analysis, they say the results for the period under review may be considered satisfactory.

The company'e trading divisions operate across three industrial sectors: electronic *component distribution*, building components and special steels.

The trading cycles for the first two are at an adverse stage, but favourable for the latter. For electronic components, demand is still good but over-supply and overstocking prevails and after last year's headlong rush to produce and secure product, there remains a surplus with manufacturers, distributors and *customers.*

The obvious effect has been a reduction in prices and margins. Not only have supplies reduced list prices but thresholds, and offered prices for special *quantity deals, have been* substantially lowered.

The directors say the pattern of semi-conductor production and demand is volatile and difficult to predict, but there is little likelihood of better prices and *conditions for some months* until stock surpluses have worked through the system.



Macro's performance throughout the period under review has been steedy. Gross margins were at least in line with expectations on turnover 14 per cent higher, producing a similar profit to that for the comparable period last year.

Similar observations and results apply to Access, which did well to absorb increased overheads, following its move to Letchworth.

Early indications from bookings of AMD Products, following the launch of this franchise in March, suggest a favourable impact.

DIV's new building and other new overheads predictably reduced their profitability with turnover up but gross margins down.

With substantially declining housing starts on top of a harsh winter and a very competitive market place, L. G. Lintels did well to increase market share and turnover, the directors state.

• comment

Diploma failed to offer the City the slightest hint that the worst is over in the current cyclical decline in demand in the electronic components industry. Accordingly, the 25p fall in the share price to 203p was more a comment on the group's prospects for the immediate future than on the results per se. Things are not as bad as they could be—the company has not seen the falling volumes which have appeared in thet U.S. electronic distribution market, indeed the group has achieved a 25 per cent volume increase in electronics sales over the period. Margins are however under beavy pressure, with distributioo profits falling from £5.7m to £5.4m, despite a turnover increase from £25m to £29m. Unfortunately for Diploma, its other interests are too small to compensate for the difficult conditions faced by distribution — although Henry *Whitham, supplying steel to the* North Sea oil industry, is enjoying a very strong surge in demand. The group has to all intents and purposes admitted that pre-tax profits will be down this year—perhaps to £15m, putting the shares on a multiple of ebout 13 (42 per cent tax). They are likely to stay at these levels until signs of an upturn in the electronic's cycle comes from across the Atlantic.

First Sentinel acquires Melville

First Sentinel has acquired Melville Technology for approximately £3.1m.

Additionally, certain preference shares were redeemed by Melville at par for approximately £100,000. It is intended that First Sentinel will change its name to Melville Technology.

Melville was formed in 1980 to acquire the assets and business as a going concern of the Herbert Sigma division of Alfred Herbert.

First Sentinel is a recenly-formed company whose chairman is *Mr John Poole,* until recently chairman of Mowlem Technology. He is joined by two other former directors of Mowlem Technology, Mr Colin McCrosson and Mr Fred Worth.

They *are backed* by a consortium of financial institutions led by Hambros.

Bernard Matthews

Mr Bernard Matthews, chairman of the Norfolk turkey producer and meat processor, said at the annual meeting that turnover and profits continued at record levels.

APPOINTMENTS

Hambros makes changes

Mr Rupert Hambro, chairman of Hambros Bank, has been appointed e deputy chairman of HAMBROS PLC. Mr Charles Perrin, an executive director of Hambros Bank, is also appointed to the borad of Hambros PLC. Sir Adam Ridley, who has been a special adviser to the Chancellor of the Exchegoer, joins the borad of Hambros and becomes an executive director of Hambros Bank. He will join the group on a full-time basis on September 1.

Mh Chips Keswick, the senior deputy chairman of Hambros Bank, is appointed chief executive, and Mr John Padovan becomes executive deputy chairman of the Bank. Mr Christopher Sporborg, a deputy chairman of Hambros Bank, is appointed the chiefe executive for non-banking activities of the group.

Hambros capital is now invested in two main areas, the Hambros Merchant Bank Group and Hambros PLC's non-banking activities which include the majority of the proceeds from the sale of Hambro Life.

★

Mr Errol P. Cossey has resigned as managing director of *AIR EUROPE* and as director of the Intasun Leisure Group, but remains as aviation adviser on special projects. Intasun Leisure Group has appointed Mr Roy Phillips as managing director *of Air Europe. He was* deputy managing director.

★

Mr Stephen Warne has been appointed sales director of HANOVIA, a Halma environmental control *division* subsidiary.

★

Mr Phillip Shore has been named chief executive of the pensions administration service operated by consulting actuaries R. WATSON & SONS. He joins from Software Sciences where he was principal marketing consultant in pensions and insurance.

★

DIGIVISION has appointed Mr W. R. Everard as managing director. He takes over from Mr J. M. Goffe, who has been appointed vice-chairman.

★

DEVRO, producer of collagen casings, has appointed Mr Allister Dow as managing director. He was acting general manager.

★

Mr Derek Lloyd has been appointed to the new position of group service director with STANNAH LIFTS.

★

DAVID DIXON GROUP has appointed Mr Ronald Vythi Menon as a main board director. He is managing director of Tudsbury, a group subsidiary.

★

TI PACKAGING MACHINES has appointed four divisional directors. Mr Mike Dormer is director of the end packaging division; Mr Brian Kelly is director of the flexible packaging *division; Mr Terry McGratten* is director of the bottling and sleeving divisioo; Mr Martin Keay, is director of the engineering services division.

★

Mr Michael K. Williams has been appointed to the board of RUMMALL INVESTMENTS as non executive chairman. He is chief executive of Inter Services Holdings SA, a company specialising in international corporate development finance and management marketing services.

★

Mr Douglas Claisse, Mr Eric Hodson and Mr Robert Walther, assistant general managers of CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY, have been appointed directors. Mr Claisse is respoosible for sales and marketing; Mr Hodson for administration; and Mr Walther for investment.

★

SEDGWICK INSURANCE BROKERS has made the following appointments: at SEDGWICK Mr R. K. Romer-Lee and Mr R. J. W. Titley join the board; at SEDGWICK ASSOCIATED RISKS Mr Romer-Lee becomes chairman and Mr G. K. *Case is made managing director;* at SEDGWICK INTERNATIONAL Mr Titley becomes chairman and Mr D. Ford and Mr E. G. S. Wright are made managing directors; at SEDGWICK UK Mr W. R. White-Cooper becomes chairman.

★

Radio 210, the independent local radio station based in Reading, has a new chairman. Mr Richard Palmer, of the Huntley and Palmer biscuit family, has succeeded Sir John Colville as chairman of THAMES VALLEY BROADCASTING. Sir John is retiring. Mr Palmer is director-general of the Business Equipment Trade Association. Mr John Fowles becomes deputy chairman of Thames Valley Broadcasting.

★

ARMITAGE NORTON CONSULTANTS has appointed as managing director Mr Jones, who joins from Coopers & Lybrand Associates.

★

Mr Peter Lewis becomes chief executive of HERON HOMES, a Heron International company, following the appointment of Mr Jack Maxwell, formerly managing director of Barratt East Midlands, as managing director *of a new division,* Heron Homes London & Home Counties. Mr David Tutcher, group land director, and Mr Rod Williams, group finance director, have been appointed to the Heron Homes main board.

★

Mr Graham M. Buckley has been appointed a director of SPONG HOLDINGS.

★

GEC's POWER ENGINEERING GROUP has appointed Mr M. L. Boden managing director, GEC-GS, and Mr J. L. Cohen assistant managing director.

★

Mr B. E. Tanswell has joined QUICK REEK & SMITH (COFFE MERCHANTS) as an executive director and Mr M. S. Stearn has also been appointed *to the board.*

★

Commander W. L. Critchley has beeo appointed director of the ASSOCIATION OF MAIL ORDER PUBLISHERS and secretary of the MAIL ORDER PUBLISHERS' AUTHORITY in succession to Mr David Vickers who is retiring.

★

Mr P. A. Armstrong has been eppointed a director of HOWSON F. DEVITT & SONS LIMITED. Mr D. L. Woodward has joined DEVITT (AVIATION) as a director. Both companies aare part of the Devitt Group.

★

At BRITISH RAILWAYS BOARD, Mr D S Currie is to become director of civil engineering on June 1. He succeeds Mr C Purbrick who is retiring. Mr Currie, *who is at present* deputy to Mr Purbrick, will bead the department responsible for all railway trackwork, bridges, tunnels and stations and buildings.

★

Michael Radnor has been appointed joint managing director of THE HENLYS OPTICAL GROUP. He was appoloted financial director in June 1979 and still retains that role.

★

Mr Anthony J Skivington, a director of the Rush & Tompkins Group, has been elected chairma of the NATIONAL CONTRACTORS' Group for 1985-86.

★

Mr Gordon G Bates, senior partner of J R & E Russell & Go, has been elected president of the BRITISH WOODWORKING FEDERATION. Mr Bates, who was president of *the BWF* in 1981-82, has previously served for several years as chairman of the architectural and joinery section.

★

Dr William Dixon has been appointed as medical director of BUPA MEDICAL CENTRE. Dr Dixon is currently bead of medical services for the John Lewis Partnership, a post he has beld since 1973.

★

...ALTOS GOMPUTER SYSTEMS has appointed Mr Mark Steer director of finance for its European operations.

★

Mr Robert Coteman has been appointed finance director of the filtration and industrial ceramics divisioo of FAIREY HOLDINGS. Prior to joining Fairey, Mr Coleman was finance director of George *Rowney and* Go.

★

Mr William Hughese has been appointed chairman of GRAMPIAN HOLDINGS oo the retirement of Mr David C. Greig. Mr Hughes will continue as group chief executive.

★

President of the ELECTRICAL CONTRACTORS' ASSOCIATION for 1985-86 is Mr Ken Baynton—founder and managing director of Cardiff-based H. H. Baynton & Son (Electrical Contractors) Vice-president is Mr Roy Howard of Electrical Installations (North West), Blackpool.

★

Mr E. R. Griffiths, managing director and depnty chairman of J. Sainsbury, has been elected president of the INSTITUTE OF GROCERY DISTRIBUTION. He succeeds Mr D. M. Landau, chief execuive of the Co-operative Wholesale Society, who has completed a three-year term of office.

★

Mr Malcolm L. Yeulet has joined THE BRITISH LAND COMPANY and has been appointed a director of British Land Developments. He will primarily be responsible for new property and investment acquisitions within The British Land Group. Mr Yeulet spent the majority of his earlier career with The Hambros Bank Group where be was joint managing director of Berkeley Hambro Property Company. He was also a director of London Shop Properties and Beaumont Properties.

★

Mr Alan Dymond has been appointed marketing director of WISTECH. He joins from the William Press Group where he was divisional marketing director of Press Construction. Prior to that he was general manager of the group's waste disposal division—now part of AMEC.

★

Mr Derek R. Moon has been appointed chairman of MASTER SYSTEMS (DATA PRODUCTS), Camberley. He has previously been group managing director of GEC Domestic Appliances and The Plessey Company consumer electronics division. Mr Moon is chairman of Brikat Group.

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	†12½%
American Express Bk.	12½%	Hongkong & Shanghai	12½%
■ Henry Ansbacher	12½%	Johnson Matthey Bkrs.	13 %
Amro Bank	12½%	Knowsley & Co. Ltd.	13½%
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Bsoeficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	14 %
■ Brown Shipley	13 %	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13½%	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	13 %
Co-operative Bank	*12½%	Whiteaway Laidlaw	13½%
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Wintrust Secs. Ltd.	12½%
Duncan Lawrie	12½%	Yorkshire Bank	12½%
E. T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%. 1 month 10¼%. Top Tier—£2,500+ at 3 months notice 12½%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10¼%.
¶ Mortgage base rate.
** Sea Provincial Trust Ltd.
§ Demand deposits 9¼%.

UK COMPANY NEWS

Dataserv picks up in second half for 59% advance

REFLECTING A much improved performance in the second half, *pre-tax earnings of the Dataserv* Inc group rose 59 per cent for the whole of 1984, from $2.17m to $3.45m. The group sells, leases, maintains and provides parts for computers principally in the U.S. and Europe. It is registered in the U.S. and its shares are quoted *on the London market.*

Mr James Carr, the chairman, says the traditional trading leasing business continued to expand on both sides of the Atlantic. The lease portfolio showed significant growth in terms of customers, machine placements and future *profit potential.*

A newly fermed specialist financial services group in the U.S. enabled the financing of leasing business at rates "considerably better" than previously achieved.

Expansion of the direct and depot maintenance business in the U.S. exceeded the ambitious targets set, Mr Carr reports. The *business* of supplying IBM components to third party companies, established in December 1983, exceeded its target for both revenue and profit margin.

On the outlook, the chairman says he is expecting the significant seasonal bias towards the second half to diminish, although it will still be a factor for 1985. Results for the year *overall* are expected to be very encouraging.

With the pattern of organic growth *now firmly established*, he is confident that the investment in the maintenance and related businesses will produce significant growth.

Each of the U.S. operating units has exceeded its sales objective *for* the first four *months. Trading in the UK is* satisfactory although not matching the exceptional performance occasioned by the 1984 Budget tax changes. In Europe a solid start has been made.

Gross revenue for 1984 came to nearly $110m, compared with somo *$116m.* It is explained that the formation of the financial services group has resulted in transactions being structured so that they are not included in gross revenues. This has led to the reduction for 1984 as calculated under U.S. GAAP accounting principles and consequently these do not reflect the increased volumo of business achieved.

In the year, computer equipment sales and leasing accounted *for $89.2m,* with $44m in the U.S. and $45.2m in U Kand Europe, while mantenance and parts accounted for $20.74m, of which $20.43m was in the U.S.

At the pre-tax level, the U.S. *contributed* $1.87m and tho *UK* and Europe $1.58m. After tax of $1.34m ($830,000) earnings were 13.34 cents per share (11.50 cents), and the final dividend is 1.15 cents for a total of 1.75 cents forecast in the prospectus.

In the U.S. the growth of the *traditional business* of trading and leasing was complemented by further expansion of the specialist activities. In the UK the year was dominated by the change *in the tax rules affecting* leasing companies, which resulted in high demand for leases. Tho *German* and *Dutch* operations developed significantly and both ended the year on a high note with good prospects for 1985.

Mr Carr says on the maintenance side the change of direction achieved in 1984 is the most significant development ef the year for the future growth of the group. At its inception this business depended on maintenance brokerage, whereby the group utilised IBM en a time materials basis to service customers' equipment.

The group has now developed a direct and depot maintenance business, using its own engineers and primarily Dataserve *supplied* parts.

Because ef the run-down ef *maintenance* brokerage, *total* maintenance revenues haev risen enly marginally. Contribution to 1984 profit has also been affoceted by the indirect start-up costs associated with the expansion *of* direct and depot maintenance.

Greggs

Despite the company's listing and its West Midlands acquisition, the miners' strike, the hot summer and delays in new openings resulted in a 1984 trading performance for Greggs which was no *more* than *satisfactory.*

That was the view of the chairman, Mr Ian Gregg, in his report to the AGM. Ho added: "I am pleased to report that there has already been a partial recovery in the areas affected by the miners' *striko, somewhat* earlier than we had hoped, and that our West Midlands acquisition has made good progress."

A number of potential acquisitions were being examined all within the company's traditional business. The cash resources were available, but the company was not in a hurry and would wait until the right opportunity arose.

MINING NEWS

Alaskan Bill paves way for Red Dog development

BY KENNETH MARSTON, MINING EDITOR

THE PASSING of a Bill by the Alaska legislature will facilitate the provision of road and port links for Cominco's proposed big Red Dog high grade zinc-lead-silver mine. It clears a major burdlo for the *development* of the north-west Alaska project which could become the world's biggest producer of zinc.

Tho Bill paves the way for the Alaska Industrial Developmont Authority (AIDA) to issue bonds or notes up to $175m (£140m) to finance the state's de *Long* Mountain transportation project. It will include a road from the mine to the coast and a port to accommodate the shipment of zinc-lead concentrates.

Ore reserves at Red Dog are pnt at 85m tonnes grading 17.1 *per cent zinc,* 5 *per cent lead* and 2.4 ounces per tonne silver. Initial mioing operations are expected to be at an annual rate of 1m tonnes of ore for the production of 430,000 tonnes of zinc and lead concentrates.

The mine will be developed in *associatien* with the Nana Regional Corporation, an Alaskan native corporation. Cominco points out that before a production decision can be made it will be necessary to resolve several other issues including the route of the road to the sea and an *agreemeot berween Nana* and AIDA regarding land use.

Meanwhile, financing and marketing arrangements remain to be completed for Red Dog. The cost of the development is expected to run into hundreds of millions of dollars and, at *the earliest,* the *mine could* be operating in 1989.

Northgate shows C$1.2m loss in first quarter

Struggling with a heavy debt *burden,* Canade's *Northgate* Exploration reports a first quarter loss of C$1.22m *(£712,000),* or 12 cents per share, despite a *mine operating profit* of C$2.8m. The quarterly loss compares with losses of C$3.57m in the previous three months and C$738,000 in the first quarter of 1984.

Last year the company reduced *its long-term debt to* US$49m from $55m, partly with the assistance of a C$9.9m gain from the sales of the holding *in* Whim Creek Consolidated. The lower U.S. dollar should help in servicing of the dobt and providing better metal prices.

Gold *production from* the company's Chibougamau, Quebec, mines in the latest quarter amounted te *19,100* oz, only 880 oz short of the record achievod a year ago. This was despite some curtailment of operations made uneconomic by low metal prices.

Copper production amonnted to 5.9m lb and that of silver to 34,000 *oz* compared with respective totals of 6.4m lb and 35,700 oz in the 1984 first quartor. *Northgate remains* confident of meeting its 1985 target production of at least 65,000 oz of gold and 20m lb ef copper.

Tronoh's net profit and dividend slip

The Malaysian tin-producing Tronoh Mines has earned a net profit for 1984 of M$5.48m (£1.8m), equal to 42 cents (14p) per share, compared with M$5.56m in 1984. The final dividend is maintained at 40 cents to make a total of 64 cents against 65 cents, all payments being less tax at 40 per cent.

Sales of tin concentrates increased to 317 tonnes from 310 tonnes in 1983 which, after allowing for a slightly reduced price obtained, resulted in a 12 per cent increase in the profit on mining eperations.

MINING NEWS IN BRIEF

Terms have been agreed for the full *acquisition by* Canada's Noranda of its 68 per cent-owned Fraser forest products subsidiary. Minority holders of the latter are offered ono C$28 series B preferred share of Noranda for every Fraser share held.

The preferred shares — which carry a 9.25 per cent dividend until July 1988 and thereafter 72 per cent of the prime rate with a minimum of 7 per cent and a maximum of 12 per cent —will be convertible into Noranda common shares from July 1988 until July 1995 when they becomo repayablo at C$28.

* * *

South Africa's Trans-Natal Coal, in the Gencor group, earned R8.19m (£3.35m) in the March quarter after tax adjustments for previous quarters. Net profits for the first nine months of the year to June 30 are brought to *R31.26m. For the* previous full year they totalled *R37.47m.*

* * *

Menora Resources has raised its interest in Ocean Diamond Mining to 22 per cent from 5 per cent from 5 per cent via an issue of oon-tradeahle shares (valued at $595,000) to Mr Ivan Prinsep, presideot of ODM. The shares become tradeable when the ODM undersea diamond recovory operation *off* the coast of Namihia proves to be a viable commercial proposition. It has been delayed by technical problems but diamonds have been recovered and progress is being made.

* * *

Brunswick *Oil* is to start construction of the treatment plant in July at the *A$7.3m* ($4m) Galtee More open-pit gold project near Mount Magnet in Western Australia. The first gold pour is expected next February and initial production is planned at *an annual rate of 200,000 tonnes* of ore from the open-cut at a *recovery grade* of *6.9 grammes* gold per tonne.

Reserves at twe deposits are put at 450,000 tonnes grading 7g down to 80 metres. The key to Galtee More's future is whether the deposits extend at depth, similar to those at the Hill 50 *gold mio.*

* * *

Near surface ore reserves of at *least 6m* tonnes *grading* 1.15 grammes gold per tonne have been confirmed by testing at the Wapoln prospect in Papua New Guinea, a joint venture between Australia's City and Suburban Properties and Esso.

* * *

North Kalgurli Mines is te farm-in at the Boomerang gold venture in Western Australia of Kalgoorlie Southern Gold Mines and Aseonda. North Kalgurli can earn a 50 per cent interest by spending A$700,000 (£392,000) on exploration over a four-year period.

CONTRACTS

Brazier Group wins £6m building work

The BRAZIER GROUP, Southampton, has won contracts worth over £6m. They include a £1.2m *Superstore for* B & Q (Retail) in Southampton, a £1.2m refurbishment at the RN Hospital *Haslar* in Goport for the Property Services Agency and the conversion of the Willis Mueum in Basingstoke into offices for £900,000. Brazior has also been awarded a £1.2m contract by the Hampshire County Council to construct a police support *headquarters* near Southampton for the Hampshire Constabulary. The building services company of the group has ecured a £1.5m measured term contract with the Property Services Agency, and a further contract of £350,000 to build a health centre at Tadley, near Basingstoke, for the Wessex Regional Health Authority.

*

WALTER LAWRENCE PROJECT MANAGEMENT has started work on three management contracts for construction of industrial and research premises at a total cost of £1.3m. These are a *laboratory and* glasshouses at May and Baker research station, Fyfield Road, Ongar (cost £340,000); enlargementof Wander Foods brewhouse and to co-ordinate structural and building works with instalaltion of a proces plant and equipment at its factory in Station Road, Kings Langley (cost £460,000); construction of the third phase of the development of industrial and warehouse facilities for Ardex UK, at Holmefield Road, Haverhill (cost *£490,000*).

*

THORN EMI ELECTRONICS has received a second contract from the Ministry of Defence for its hand-held thermal imager (HHTI). The contract, worth over £4.6m, eovers the supply of equipment to the British Army and RAF and brings the total value of orders received from the MoD for HHTI to over £18m. Weighing less than 5 kg, HHTI is suitable for a wido range of military roles requiring a high *degree of mobility.*

*

A £3.2m order for 30 drainage machines has been placed by the Egyptian Public Authority for drainage projects with the DYNAPAC GROUP company Dynapac-Hoes of Western Ger*many. They will be employed on* a 5m feddan (around 5m acres) drainage project in the agricultural areas of the Nile Delta and the Nile Valley on both sides of the river as far as the Aswan Dam. The 30 drainage machines Dynapac-Hoes is supplying are 10 model 525s capable of digging ditches to a depth of 3.5 metres and 20 model 686s capable of digging trenches to a *depth of* 2.5 metres.

*

RACAL-SMS has won orders for its marine radar and navigation simulator type 9000 worth over £2.5m from Canada, Germany, the Middlo East, Korea and China. The *simulator enables* exercises to be conducted in collision avoidance, navigation in confined waters, shipping lane discipline and high density traffic, blind pilotage, and the use of navigational aids.

*

SAC TECHNOLOGY GROUP has won a contract with SAAB Scania in Sweden to help with design on a number of aerospace projects. The value of business in the first year will be around £1m and SAC will expand its team of engineers working on this project from 20 to 50.

*

One hundred model D40 MONO PUMPS are being supplied as part ef dust extraction units manufactured by Engart Fans for service in coal mines all over China. The £1.14m erder has been placed by the China National Coal Import and Export Corporation. The first of the 100 dust extraction units from Engart has been dispatched and the remainder are for delivery in a phased programme over the next 12 months. The units will be installed mainly in roadway drivages where coal cutting machines are used, to reduce respirable dust levels.

*

KEELER of Windsor has secured a £1m contract for the supply of ophthalmic instrumentation to Tripod Engineering Co of Croydon. This forms part of e total package to furnish the new Al-Ramad Eye Hospital, Baghdad, which is expected to open mid-1985.

*

Brengreen (Holdings) subsidiary BRENGREEN EMIRATES, has been awarded a contract for cleaning the Kelba Hospital in Fujiera. The contract is worth £300,000 over three years.

*

LOGICA, a British independent systems company, has ordered a *£168,000 fault-tolerant computer* from STRATUS, Massachusetts, supplier of 32-bit fault tolerant computer systems. Installed in the headquarters of Logica's finance group in Littlo Portland Street, W1, it will be used primarily for the devolopment of the ON/2 retail financial system.

*

Kent-based anti-pollution product manufacturers DARCY PRODUCTS has received an order valued at around £85,000 for the supply of its Drizit oil absorbents for use in the Nigerian National Petroleum Company's Niger Delta refinery.

*

A £130,000 contract has been awarded to ENERGY & WASTE SYSTEMS (E.W.S.), Westbury, specialist effinent treatment subsidiary within the Farr Group, to improve the sludge digestion facilities at the Berry Hill sludge treatment plant near Bournemouth. The contract involves conversion of the existing pumped circulation facilities in the digesters to a more efficient gas recirculation system. It also includes construction of two compressor stations and installation of high and low pressure gas pipework, internal diffusers, instrumentation and control systems.

*

STORDY COMBUSTION ENGINEERING, Wombourne, has won a £94,000 order from Tilcon, for a micronised coal-fired system and it is believed to be the first of its *kind to be* commissioned in the UK. The system will convert Tilcon's number 2 plant at Skipton Rock Quarry; an eil-burning Barber Greene 180 ton per hour rotary aggregate dryer coating unit.

*

Signal Companies Inc subsidiary KELLOGG RUST CONSTRUCTORS is to provide construction services for a $220m (£180m) expansion ef the Skowhegan, Maine, facilities of Scott Paper Company's S. D. Warren division. The project is scheduled for completion in 1986.

*

The Welsh Office has accepted a £4.11m tender submitted by McTAY CONSTRUCTION, part of the Mowlem Group, for the improvement of the A55 trunk road at Bodelwyddan, Clwyd. *Work involves construction* of 3.1 km of dual carriageway road (each carriageway 7.3 metres wide) and 2.9 km of 7.3 metres wide single carriageway. The single carriageway section will be combined with a similar retained length of the existing road. The contract includes a grade-separated interchange at Engine Hill, an overbridge, associated side road works, 32,000 sq metres of surfacing, with associated drainage works, signing and white *lining. Bulk* earthworks will cousist of some 115,000 cu metres of cut, of which 75,000 cu metres will be used as fill material. Work is expected to start in May and will take about two years.

*

Express *Newspapers has placed* an order with XENOTRON UK for equipment worth £750,000 to be installed later this year in both London and Manchestor, as part of a changeover in the pre-press area from hot metal to electronic methods.

*

Balfour Beatty has been awarded a contract worth £4.2m by British Rail (Southern). The work which is associated with the Rochester Way *relief* road involves construction of e reinforced post-tensioned concrete bridgo on insitu reinforced plers and abutments, and demolition of the existing Eltham Well Hall Station. Work is due to commence in July with a 10 menth construction period. Balfour Beatty is a member of the BICC Group.

Herbert Woods well on target

IN ITS first year as a public company, Herbert-Woods Group the Norfolk Broads-based holiday cruiser fleet owner-operator, has reported record profits.

Compared with a forecast of £250,000 contained in the May 1984 flotation document the group has turned in £262,275 after tax for 1984.

Describing the year as "the most successful ever" Mr Laurence Dale, managing director, said that in line with the company's policy of expansion, the £1.2m raised by the flotation had been used to acquire additional fleets. The group, based at Potter Heigham, near Great Yarmouth, has varied boating interests, including six boatyards, boat building and marine engineering facilities.

Three new cruiser fleets were acquired in 1984. In July, the company bought Corig Cruisers, owners of seven modern diesel-engined cruisers. Then in August the fleets operating under the names of "Ernest Collins" and "Jack Powles" of Wroxham, were acquired from Henlys. The purchase gave the company two further operating sites in prime centres on the Broads, as well as two of the best-known boatyards with a total of 102 craft.

The company is committed to a policy of expansion by acquisition aimed at making the company the biggest holiday boat owners in the UK and further increasing its leisure business interests.

To this end, he has just acquired two additional companies in the field. They are Pleasure Steamers, a Great Yarmouth based company which owned and operated two large pleasure craft, "The Queen of the Broads" and "Elizabeth Simpson"; and the entire 13-strong fleet of Hoveton, Norfolk, based George Smith & Sons.

Mr Dale says that, looking to the future, a number of further major moves are planned within the boating and leisure industry. "Among the new areas we are actively looking at are coaching operations, oil distribution, hotel, bars and catering establishments and the North Sea off-shore industry. I expect to be able to announce more details about these within the next six months."

Welpac beats dividend forecast

Welpac, the London-based packaging company, has beaten the dividend forecast made when it came to the USM at the beginning of last year. It is intending to pay 0.3p, against a forecast of 0.2p.

In the year to end-January, 1985, pre-tax profit rose from £271,000 to £405,000, on turnover up from £3.05m to £4m.

With tax at £178,000, against £126,000, the net profit comes to £226,000 (£145,000). Last year there were also extraordinary debits of £106,000 and pre-acquisition profits of £130,000.

Earnings per share were 1.24p (0.79p) and the shares gained ½p to 19p. The issue price was 10p.

Glass Glover £2.5m deal: 15% interim profits rise forecast

BY LIONEL BARBER

Glass Glover, the fresh fruit and vegetable importer and distributor, yesterday said it had agreed to buy Louis Reece, a leading fresh fruit wholesaler, for £2.5m.

Glass Glover is to pay £1m in cash and the balance in shares for the acquisition which it said would strengthen its wholesale interests, particularly in London.

Simultaneously, Glass Glover said it expected interim pre-tax profits to rise around 15 per cent on last year's £651,000, despite unfavourable weather and exchange rate movements. Glass Glover's shares rose 13p on the day, closing last night at 278p.

The Reece purchase comes two months after Glass Glover launched a one-for-three rights issue raising £7.4m, partly to finance future acquisitions. Other expansion plans included setting up new distribution centres in Luton, South Wales, Yorkshire and Scotland.

Reece will add £33m (pre-tax profit £237,000) to Glass Glover's sales, which last year topped £70m. Its attraction lies in its distribution centres in Kent and Wigan and market premises in Covent Garden and Spitalfields in London. It also has a strong line in exotic fruits, Glass Glover said.

Yesterday, Glass Glover said that some rationalisation would take place between itself and Reece. However, it stressed the attraction of Reece's management.

Mr Sidney Garber, joint managing director of Reece will join the main Glass Glover board, while Mr Walter Olins and Mr Bernard Olins are to retire from the Reece board. Mr John Bingham, financial director of Glass Glover, will join the Reece board.

FTI sale reduces borrowings

Forward Technology Industries has exchanged contracts with Platon International for the sale of FTI's 92.7 per cent owned subsidiary K & N Electronics and FTI's subsidiary Jenboame, which owns 82.5 per cent of Dicoll Electronics.

The combined net liabilities attributable to the shares in K & N and Jenboame at December 31, 1984 amounted to £302,000 and the attributable combined pre-tax profit for the year ended December 31, 1984 amounted to £211,000.

The consideration for the acquisition of the shares in K & N and Jenboame is equivalent to some £600,000, receivable in cash within 28 days of completion.

Bad winter blamed for Tysons loss

The severe winter has been blamed by the Liverpool-based Tysons (Contractors) for accelerated losses in the second half of the year.

In the year to end-December 1984, losses totalled £1.53m, against a profit for the previous year of £813,000.

At the halfway stage losses were £361,715, when directors were saying that the problems were caused by a decline in investment but that there was evidence that the decline was being arrested.

The board is now saying that the winter caused an escalation in the costs of work in progress, provision for which has been made in the present figures.

The directors add that though new orders in the North West are scarce, order books and expected margins gave hope of better results.

Dividend is maintained at 2.5p a share.

Turnover for 1984 rose to £24.94m from the previous year's £20.73m.

Tax for the year is £48,900 (£21,000).

Tysons' profits have been volatile in the 1980s. In 1979 it suffered a loss of £405,000 but recovered to make profits of £1.48m in 1981. Since then profits declined steadily for two years until this year's fall into deficit.

At yesterday's close the share price was down by 3p to 43p.

Rentokil

Rentokil Group expected a moderate increase in profits for the first half of 1985, with the resumption of a better rate of growth in the second half leading to a satisfactory outcome for the year, Mr W. H. Westphal, the chairman, told the annual meeting.

Mainly because of a downturn in property care services, the first quarter's profits in the UK were below expectations. The company now had the first six months results from the overseas companies which showed a good increase in profits.

Outwich gains

On earnings up from 2.97p to 3.44p net per share, Outwich Investment Trust is lifting its dividend from 2.6p to 3p for the year ended March 31 1985, with a final of 2p.

At the year end the net asset value was shown at 178.2p, compared with 161.2p at September 30 1984 and with 150.2p in the previous March.

Revenue from investments totalled £3.56m (£3.35m) and interest payable fell to £91,000 (£136,000).

GKN progress

Results for the first four months of the current year at Guest Keen & Nettlefolds supported the expectation expressed in the annual report, said Sir Trevor Holdsworth, the chairman, at the AGM.

Reporting on pre-tax profits up from £88.1m to £120.2m in the 1984 annual report, Sir Trevor had said that economic and commercial conditions in the group's main markets continued generally to be favourable. Therefore, further progress was expected in 1985.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim:—Frederick Cooper.

Finals:—Anglo American Coal, Caparo Properties, Emray, Fulcrum Investment Trust, Land Securities, Markheath Securities, Walter Runciman, Sears, Seccombe Marshall and Campion, Spear and Jackson International, Stylo, Third Mile Investment, Tranwood, Wace.

FUTURE DATES

Interims:—	
Guinness Peat	May 22
Management Agency & Music	May 22
Maynards	May 23
North American Trust	May 28
Finals:—	
Allied-Lyons	May 28
Asset Special Situations Trust	May 17
Associated British Foods	May 20
Benlox	May 16
Channel Tunnel Investments	May 22
Goldberg (A.)	May 23
Goldsmiths	May 20
Hanover Investments	May 16
Highland Participants	May 16
Prince of Wales Hotels	May 24
Waltam Brothers	May 30
Yorklyde	May 17

Duplication of Californian action unacceptable

INSURANCE CORPORATION OF IRELAND AND OTHERS v STROMBUS INTERNATIONAL INSURANCE CO LTD

Court of Appeal (Lord Justice Slade and Lord Justice Mustill): May 8, 1985

WHERE A writ claiming negative relief is served out of the jurisdiction in order to pre-empt foreign proceedings on the same issues and between the same parties, the court will set aside service if continuance of the English action concurrently with the foreign action would cause great inconvenience and no benefit would ensue from duplicating the proceedings.

The Court of Appeal so held when allowing an appeal by the reinsured, Strombus International Insurance Co Ltd, from Mr Justice Webster's refusal to set aside leave granted to reinsurers, Insurance Corporation of Ireland and others, to serve a writ on Strombus out of the *jurisdiction*.

LORD JUSTICE MUSTILL, giving the judgment of the court, said that Valco, a Ghanaian company, owned and operated an aluminium smelting plant at Tema in Ghana.

Ninety per cent of its share capital was owned by Kaiser, a Californian company. Kaiser also owned the entire issued share capital of Strombus, an insurance company incorporated in Bermuda. Strombus dealt primarily with insurance coverage of other companies in the Kaiser group.

For two consecutive years commencing March 1982, Strombus insured Valco against business interruption including any losses resulting from interruption of electrical power.

The first year of cover was reinsured by Strombus in two tranches. The first was with the Insurance Corporation of Ireland and two Lloyd's syndicates. That business was placed through a chain of brokers—a Californian concern named Johnson & Higgins, then other Californian brokers, and finally, brokers in London.

The second tranche was placed with the English subsidiary of a German corporation and other reinsurers, through London brokers.

In the second year, cover was reinsured with Insurance Corporation of Ireland and the two Lloyd's syndicates, and was broked via Johnson & Higgins and London brokers. The slip included a "service of suit" clause whereby it was agreed that underwriters would submit to the jurisdiction of any court of competent jurisdiction within the U.S.

During those two years there were three interruptions in the supply of electricity to Valco's aluminium plant. In May 1983, Valco made a claim on Strombus under the primary cover. Strombus passed the claim on to the reinsurers.

The reinsurers denied liability. On March 6, 1984 they commenced the present action against Strombus in the English court. They claimed *inter alia* a declaration that the reinsurance contracts were null and void on the ground of non-disclosure of previous experience of water levels feeding the relevant hydro-electric plant. They also claimed a declaration that the policy, on its true construction, did not cover the claim.

Having issued their writ, the reinsurers applied for leave to serve it on Strombus out of the jurisdiction. On March 12, 1984 Mr Justice Neill granted leave, and service was effected on Strombus in Bermuda.

The following day Valco issued proceedings against Strombus in California, claiming payment under the primary cover. Eight days later Strombus brought a cross-complaint (equivalent of third party proceedings) against the reinsurers in California. Also it cross-complained against Johnson & Higgins alleging that if it failed in its claim under the reinsurance on the ground of non-disclosure, that was the result of their breach of duty.

Meanwhile, Strombus had launched an application to set aside the order for service of the English proceedings. On October 3, 1984, Mr Justice Webster dismissed the application.

He directed himself that in an ordinary case, particularly when there was an alternative forum where the defendant carried on business and whose jurisdiction would be recognised under English conflict rules, the discretion to allow service out of the jurisdiction should be exercised with circumspection, and only if the plaintiff established good reasons for doing so. In the light of special factors, however, he concluded that there were good reasons for letting Mr Justice Neill's order stand. Strombus appealed.

If the English action were allowed to proceed there would be concurrent actions between the same parties in relation to the same issues before two different courts.

The fact that grant of leave to serve out of the jurisdiction would create multiplicity of proceedings had long been recognised as a ground for exercising the discretion in favour of the defendant. That was more than ever the case where the multiple proceedings would involve not only the same issues but also the same parties.

The judge did expressly take that factor into account. There was, however, an important aspect which appeared not to have been drawn to his attention: namely, that the reinsurers sought no positive relief in the present action but confined their claims to negative declaratory relief.

The jurisdiction to grant such relief was one to be exercised with caution lest the action became "an exercise in futility" (per Lord Wilberforce in *Camilla Cotton [1976] 2 Lloyd's Rep 10, 16*).

Equally the court should be careful not to bring a foreigner here as defendant if no positive relief was claimed against him, unless it could be shown that solid practical benefit would ensue. Mr Playford for the reinsurers, did not suggest that there would be any such benefit.

The reinsurers would gain the advantage of litigating in a forum of their own choosing. By the time they had instituted their proceedings it had become more or less clear that if they did not sue Strombus, Strombus would sue them, probably in California. Their action was thus, in that sense, of a pre-emptive nature.

It seemed undeniable that continuance of the English proceedings would create great inconvenience. In the Californian action the claims flowed naturally down the line of parties, from the primary insured, through the insurers, and thence to the reinsurers and brokers, all participating in the same proceedings.

If the English action went ahead, there could be no third party proceedings. A claim in the negative could not be passed on by Strombus to the brokers or to Valco. If all the parties were to be assembled for a single trial Valco would have to start a separate action in England with Strombus as defendant.

The latter would then join the reinsurers as third parties and would seek leave to bring in the brokers as "necessary and proper parties." Finally the new multiple action would have to be consolidated with the reinsurers' claim in the present proceedings.

To maintain those cumbersome proceedings in England, at the same time as the action in California, would involve an unacceptable degree of duplication.

The judge attached weight to a special factor arising from the connection between Kaiser, Valco and Strombus.

He said that it seemed inherently improbable that Kaiser would not have made some corporate decision about a matter of such magnitude as Strombus's resistance to Valco's claim. Although he did not find the Californian proceedings were "collusive," he was satisfied that the reinsurers genuinely believed they might be at some disadvantage in the Californian proceedings.

There were undoubtedly grounds for drawing the suggested inference. The interests of the Kaiser group plainly favoured the establishment of a jurisdiction which would be administratively convenient for Valco and Strombus and which would enable the in-house insurance company to proceed at the same time against reinsurers and brokers in a locality where the latter were susceptible to direct service and enforcement.

However, there was nothing discreditable in Strombus's conduct. It exercised its rights under the Californian procedural rules in order to promote its own advantage in a manner which was inconvenient and unwelcome to the reinsurers. But there was nothing morally objectionable in that.

The "concerted" nature of the Californian proceedings, if it was concerted, was of no weight unless the reinsurers could show disadvantage to themselves which was calculated to produce positive injustice, and that the Californian courts could not or would not furnish sufficient safeguards.

The only possibility of unfair dealing discussed in argument was that Strombus might not try hard enough, or might not try at all, to rebut Valco's arguments.

Even assuming there were grounds for the reinsurers' suspicions, no risk of prejudice was created. They would be present at the hearing. If Strombus's efforts fell short of satisfactory, they and the brokers would be in a position to repair the omission.

Counsel for the reinsurers was unable to suggest and the court could not visualise any other kind of improper prejudice to which they might be exposed in the American proceedings.

There was no sufficient reason why the reinsurers should be allowed to proceed in England with a dispute which was no more than a shadow of the action already afoot overseas.

Mr Justice Webster did not misdirect himself, but he took into account a risk of injustice in the Californian courts which had not been established by evidence or argument. Furthermore the implications of the negative form of relief claimed by the reinsurers and of the pre-emptive nature of the proceedings were not taken into account.

Appeal allowed.

For the reinsurers: Jonathan Playford QC and Michael Spencer (Davies Arnold and Cooper).

For Strombus: Jonathan Mance QC and Gavin Kealey (Clifford-Turner).

By Rachel Davies
Barrister

THE MANAGEMENT PAGE : Small business

EDITED BY CHRISTOPHER LORENZ

Technology transfer

Easing into independence

Peter Marsh explains how entrepreneurship can develop as a spare-time activity

TRANSFER of technologies from the laboratory bench to the market place has become an important issue worldwide as industrial observers recognise the economic value of small science-based companies.

Such transfers, however, can often be difficult because banks are unwilling to back them until they are well on the way to commercial success. One way to get round that problem is through what is known as the "soft company" model, whereby a researcher employed by an existing business, or an academic, develops a project in his spare time until be is ready for independence.

Scores of small U.S. technology groups, like SRI International, a consultancy firm, or Teknowledge in artificial intelligence, have grown up along these lines, but this pattern has only recently become established on any scale in the UK. Such entrepreneurs—the founders of the two U.S. groups both came from Stanford University—generally start by doing occasional work tailored to specific customers' requirements, operating from their own homes or university premises, before striking out into wider markets to become "hard" companies.

In the UK, Cambridge has come to provide a fertile breeding ground for "soft" companies because of its special blend of good technical ideas which flow from the university, a flexible attitude on the part of university authorities, and a network of small subcontractors able to service the needs of researchers on the business trail.

about 300 small high technology companies formed in the region over the past five years, provides a classic example of the soft company model. Founded by Dr Philip Gaffney, 28, a geophysics graduate employed as a research fellow by Churchill College, it has turned over £70,000 in the past 10 months without having to tap any external sources of finance.

During his time as a student, Gaffney hit upon image analysers as a promising technology that could be exploited commercially. Image analysing equipment allows pictures from a television camera to be converted into digital codes and interpreted by a computer.

Hugh Routledge

Philip Gaffney: designed and built his first analyser while working for his PhD

A host of applications for the equipment has emerged in recent years. In industry, image analysers can be hooked up to robots so that the machines "see" objects in front of them and so know, for instance, which way to pick up an object. They can be used in hospitals and drugs laboratories, in the automated analysis of particles like blood cells or chromosomes, and in food factories, where the equipment can save human labour by inspecting products such as chocolates for defects.

There are also uses in security—keeping track of intruders through analysis of television scans—and in printing, where image analysers can keep a continual check on quality.

Although many big electronics companies sell such devices, Gaffney realised there could be a niche for a small enterprise selling customised products to university research laboratories, which needed the hardware for specific but limited applications.

Together with Jane Aldridge, another Cambridge graduate (who has a full-time job with another company in the town) he set up Seescan and rented a small office in the back streets of Cambridge 18 months ago.

Gaffney would have found it much harder to get off the ground had it not been for the liberal attitude taken by his college authorities. While still working on his PhD, he designed and built his first analyser, selling it for £5,000 to Cambridge University's engineering department. He kept his costs to a minimum by using his college's laboratory facilities to construct and demonstrate his product.

For a while, Gaffney wrestled with selling different types of systems which were largely built to different clients' special requirements. He sold about 20 systems, at prices varying between £680 and £10,000 to customers like hospitals and research departments of universities. All the equipment was built by hand by Gaffney and his one employee, Katherine Taylor, former technician at Cambridge's Addenbrookes Hospital.

Last summer, Seescan's transformation from a "soft" to a "hard" venture began. It was becoming impractical to go on building equipment by hand, given the growing volume of orders. Gaffney realised he had to start putting production on a more formal basis.

As the small electronic equipment companies in Cambridge have grown, an array of even smaller subcontractors in areas such as printed-circuit board assembly and metal working has arisen to do much of the production work for these enterprises. Gaffney was fortunate in being able to tap the resources of these organisations, rather than face the costly and disruptive process of setting up his own production lines.

Seescan is now taking orders for two different types of analyser, a £3,500 device for applications such as factory robotics and a more sophisticated version, selling for about £19,000, that will process colour images. Gaffney is finding that companies, not just university researchers, are now interested in his products.

Ferranti, Plessey, the UK Atomic Energy Authority and the Central Electricity Generating Board are among the organisations that have expressed interest in the higher priced devices. Instrument suppliers are considering them for incorporation into existing products.

Having sold products worth £70,000 over the past ten months, Gaffney now has an order book worth £110,00. That should keep his small company busy until the end of the summer. Turnover for the first full year is a projected £200,000.

The company has been entirely funded by Gaffney and Aldridge, the co-founder, who between them have put £20,000 into the venture. Seescan has just taken on a third employee, Ed Fordham, another Cambridge graduate, and three more employees, all products of the university, should start in the summer, two of them on a temporary basis.

The evolution of the company is, of course, far from complete. Gaffney may find that he needs to gain extra sources of finance to fund his growth and to take on staff with specialist skills in areas like marketing. Those problems are in the future; for the moment, the important thing is that the hardening process has started.

In brief . . .

THE Instant Business Forms Book, published yesterday could be the answer for people who are finding that running their business on the back of an envelope has its drawbacks.

It contains more than 200 detachable forms and charts for photocopying, including invoices, purchase orders, calendars, expense sheets, grids and collection notices, providing a supply of all the business stationery that a small company is likely to need to organise its financial information.

The book costs £12.95 and is available from the Longman Group, Longman House, Burnt Mill, Harlow, Essex CM20 2JE.

●

LIVERPOOL'S New Enterprise Workshops are to mount an exhibition designed to offer information and advice to small businessmen and potential entrepreneurs.

The two-day event opens on May 23 at the Bluecoat Chambers, School Lane, Liverpool. It has attracted 15 exhibitors including National Westminster Bank, the Department of Trade and Industry's small firms advisory service, Merseyside Innovation Centre and Liverpool City Council, among small business advisers.

Details from New Enterprise Workshops, South-West Brunswick Dock, Liverpool L3 4AR.

●

IAN WEBB, a small business consultant and former executive of the merchant bank, Kleinwort Benson, has written a guide on the subject of management buy-outs which draws on the experience of 20 financial institutions which have specialised in giving advice in this area.

Called Management Buyout, the book tells the budding entrepreneur how to assess, plan and achieve a buyout and explains the broader contexts in which buyout opportunities arise. There is also down-to-earth advice on organising the tax and legal aspects of a newly independent business.

A chapter on how to survive after the buyout highlights some of the most common problems encountered when the dust has settled following the purchase. These include the psychological difficulties which managers accustomed to behaving like employees experience in adjusting to new roles in which they often have to execute radical measures. Webb's advice is backed up by four successful case studies, including Sarasota Technology, Amari, Wardle Storeys and Stratford Colour Company.

Management Buyout costs £18.50 for 192 pages and is available from Gower Publishing Company, Gower House, Croft Road, Aldershot, Hampshire, GU11 3HR.

●

ENTREPRENEURS all over the UK will come under the public spotlight tomorrow when David Trippier, the small firms' minister, launches the Department of Trade and Industry's second Local Enterprise Week.

The event, which actually lasts for 10 days until Friday May 24, was started last year to generate wider knowledge of the local help available to small businesses from the DTI and from private sector organisations like local enterprise agencies.

Trippier will officially open the enterprise week at a reception to be given in London tomorrow by Business in the Community, the umbrella organisation for the local enterprise agencies involved. He will spend the following week visiting local agencies throughout the country from Carlisle to Taunton.

This year's event will have a particular emphasis on promoting awareness in schools and colleges of the importance of small firms and the opportunities which they provide, training for entrepreneurs, and encouraging educational and training bodies to meet the needs of small businessmen.

Hundreds of small business organisations will be using Local Enterprise Week to publicise their services. They include the publicly and privately funded South Humber Business Advice Centre, which has organised a "meet the buyer" day on May 21, designed to put entrepreneurs in touch with the purchasing departments of large companies in the region, a business computer seminar, and several free consultancy sessions. Details from the centre on 0652 57637.

In London, Friday 17 May, Tower Hamlets Centre for Small Business is staging a one-day exhibition in York Hall, Cambridge Heath Road, E2, entitled "Resources for Enterprise." Details from Paul Woods on 01-481 0512.

Why timing is a crucial factor in incorporation

YOUR business is established; you chose to be self-employed. What you now need to check at regular intervals is whether your choice continues to be the right one.

The time may come when, for example, less tax will be paid overall if the business is carried on by a company, when the business can be more easily financed through a company or when you want the better pension arrangements that a company scheme can provide.

If you decide to transfer your unincorporated business to a company, tax matters will rarely frustrate your decision. Timing is, however, crucial. Special rules apply to determine your taxable business profits for the year of transfer and the two immediately preceding years. Profits of one of these trading periods are usually not taxed at all.

Which trading period that is depends upon when the business is transferred and whether the Inland Revenue can, under the special rules, increase your taxable profits in the two years before the changeover. If those profits are increased, an immediate additional tax liability arises.

With proper planning, the overall effect should be that you pay tax on less profit than you actually earn. You do, however, need to do the sums; a very substantial difference may arise depending, for example, on whether you incorporate in the current tax year or wait until the next.

A company is like a separate person, with its own assets, rights and liabilities. You merely own shares in it. So when you transfer your business assets to the company, you dispose of them just as surely as if you had sold them.

You can — if you play your cards right — defer any Capital Gains Tax (CGT) that would otherwise arise, and transfer assets on which you have received tax allowances in such a way that you will not lose those allowances.

However, stamp duty at 1 per cent of the value of such assets as land, business debts and goodwill may be an unavoidable cost of incorporation, as is the 1 per cent capital duty the company must pay in respect of any shares it issues.

The benefit of any unused tax losses and allowances that you incurred in running the business cannot be transferred. But with the right mechanics, unused losses may be set against any personal income you derive from the company after incorporation.

Once the business is inside the company, there is in essence a wall around it. Unless you take the ultimate step of demolishing the wall by liquidating the company, anything that comes out must do so through the doors marked "dividends," "interest," "salary and fees," "rent," all of which are taxable as your income.

If you lend the company money, you may be repaid your capital and you may wish to retain part of your investment as a loan rather than equity, though this could affect the CGT deferral permitted on the transfer. There is, however, no door marked "losses." Any loss the company incurs cannot be passed out to be set against your own income.

Holding a business in a company gives rise to a "double charge" to CGT—once on the company's assets and once on your own shares. You may be able to minimise this problem, and also any stamp and capital duty costs, if you retain the assets yourself and merely let the company use them.

But those assets must be suitable for the purpose. Trading stock is no good, but you might, for example, lease the business premises to the company, rather than transfer them outright.

Generally, the variety of capital gains tax and capital transfer reliefs to which you may be entitled in respect of your shares (such as the £100,000 CGT exemption on retirement at 60 or on grounds of ill health) also apply to business assets retained outside but used by the company.

Malcolm Gammie

Malcolm Gammie is director of national tax services at KMG Thomson McLintock.

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The principals of a successful British operating airline would like to discuss acquisition and/or financial participation with suitable investors.
The company holds an air operator's certificate and a number of operating licences for passengers and freight. It would be offered complete with aircraft and spares, staff and premises and with its existing profitable and on-going contracts.
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- Profitable Company with sales £2m pa
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SMALL OLD ESTABLISHED HIRE PURCHASE & LEASING COMPANY
Situated in East Anglia
Total Loan Book approximately £500. Current HP plus Leasing running at approximately £25,000 per month. Own freehold building. Ideal for expansion by specialist company or licensed deposit taker.
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Young innovative ceramics manufacturing company with specialist machinery needs a wing to shelter under. Its fired up and ready to take off.
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ENGINEERING MANUFACTURING CO.
SPECIALISTS IN AGRICULTURAL & EARTHMOVING EQUIPMENT
Substantial land and property holding — fully equipped modern factory
Turnover approx. £1.2m
Looking for approx. £1.5m to purchase going concern
NO TIME WASTERS PLEASE
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10 Cannon St, London EC4P 4BY

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MAJORITY SHAREHOLDING IN ELECTRONICS MANUFACTURING COMPANY FOR DISPOSAL
Outright sale or other arrangements would be considered. Opportunity to acquire established business with good asset value and further potential
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10 Cannon St, London EC4P 4BY

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A recently established business with unique features and nationwide coverage is for sale.
Turnover is in excess of £1.5 million
OFFERS ARE INVITED FOR THE OUTRIGHT PURCHASE
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10 Cannon St, London EC4P 4BY

ICE-CREAM FACTORY
Modern operational fully equipped ice cream factory capable of producing 1,500 gallons of dairy or conventional ice cream per week with room for expansion. Long leasehold factory 3,350 sq ft, 10,500 cubic feet built-in freezers including 22 Westgate ice cream serving display counters. Price for quick sale £40,000. Situated near Stockport in industrial development.
For complete details write or telephone:
STONES LIMITED
16 Chester Street
Manchester M1 5GE
Tel: 061-236 5361

PROTECTIVE CLOTHING MANUFACTURING CO.
Essex based, turnover £160,000 per annum with potential for substantial increase. Offered for sale are the leasehold premises, stock, plant and machinery and order book.
For further details please contact:
David Gilbert or Lorraine Engledow, Levy Gee & Partners
100 Chalk Farm Road, London
NW1 8EH - Tel: 01-267 4477
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MAGNIFICENT SOUTH COAST COUNTRY HOUSE
IN 12 ACRES
Main two floors with full on-licence and fully equipped kitchens, etc. Substantial potential for additional development. Suitable for pub/hotel; leisure/headquarters complex; private hospital; training centre or similar.
Write Box G10765, Financial Times
10 Cannon Street, London EC4P 4BY

GLASS AND PLATED GIFTWARE MANUFACTURING COMPANY FOR SALE
Turnover £2.5 million
Write Box G10743, Financial Times
10 Cannon St, London EC4P 4BY

Cleeves Toffees Limited (in receivership) For Sale as a Unit

The business and assets of Cleeves Toffees Limited (in receivership), a substantial manufacturer and exporter of confectionery products, are offered for sale as a unit on a going concern basis.
The assets for sale include a modern factory premises and warehouses with gross internal floor areas totalling 34,000 sq. ft. on a two acre freehold site at McKee Avenue, Finglas, Dublin 11, Ireland; containing fully equipped manufacturing facilities suitable for the production of a wide range of confectionery items such as chocolate, toffee, boilings, fruit chews, nougat etc., together with the company's trade and trade marks.
Interested parties should contact the Receiver and Manager:
David B. Deasy, A.C.A.,
Haughey Boland & Co.,
Chartered Accountants,
63-66 Amiens Street, Dublin 1, Ireland.
Telephone: 0001-730611 Telex: 25536

MACAWBER ENGINEERING LIMITED (IN RECEIVERSHIP)

The continuing business and assets of the above Company are for sale. Macawber Engineering Limited design, manufacture and install a range of pneumatic conveyor systems for the bulk handling of solid materials.
Based at Doncaster, and presently employing about 80 staff, this established Company has acquired a worldwide reputation for its products.
The principal features include:
- Modern purpose-built premises of 50,000 square feet
- Turnover of approximately £4.6 million per annum.
- Order book of approximately £1 million
- Relevant patents
- Access to M18

Enquiries to: G. C. Horsfield FCA, Price Waterhouse, 9 Bond Court, Leeds LS1 2SN
Telephone: (0532) 442044 Telex: 556312.
Price Waterhouse

A J PATEL & Co.

CHARTERED ACCOUNTANTS

Brand Name Sales Limited in Receivership
The assets and the business of this well-established company T/A Flip Original American Clothing with a turnover of £2,000,000 per annum is offered for sale as a going concern.
(a) Assets comprise: Leasehold premises at Long Acre, London WC2, and Curtain Road, London EC2.
(b) Stock in trade.
(c) Fixtures, fittings and motor vehicles.

A. J. PATEL & CO.
Chartered Accountants
350 Chiswick High Road
Tel: 01-995 3453

T. & W. H. CLARK LIMITED

The Joint Receivers A. J. Katz and I. P. Phillips offer for sale an established precision engineering business based in Bradford, West Yorkshire.
* Excellent freehold property, 24,000 sq. ft.
* Turnover in excess of £1m
For further information contact:
A. J. Katz or D. Webster,
Arthur Andersen & Co.,
Bank House,
9 Charlotte Street,
Manchester M1 4EU.
Telephone: 061-228 2121.
ARTHUR ANDERSEN & CO.

MACAWBER PROCESS LIMITED (IN RECEIVERSHIP)

The business and assets of the above Company are for sale. Macawber Process Limited specialises in the reclamation of polymer and plastic waste materials.
Based at Doncaster, the Company operates from a self-contained unit of approximately 5,500 square feet. The principal features include:
- Turnover approximately £450,000 per annum.
- International customer base
- Access to M18

Enquiries to: G. C. Horsfield FCA, Price Waterhouse, 9 Bond Court, Leeds LS1 2SN
Telephone: (0532) 442044 Telex: 556312
Price Waterhouse

SOUTHERN ENGLAND
GROUP OF RETAIL NEWSAGENTS
Sales £2 million. Asset value approx. £775,000.
COMPANY FOR SALE
Tax loss (around £100,000) available.
Write Box G10747, Financial Times
10 Cannon Street, London EC4P 4BY

Private Limited Company, designers and manufacturers of
Process equipment and complete process plants
(Every product (over 250) built from the company's own designs) for the Pharmaceutical, Food, Chemical, Powder Metallurgy, Cosmetic, Ceramic, Plastic and allied industries (worldwide sales) for sale due to impending retirement of owners.
Write Box G10764, Financial Times
10 Cannon Street, London EC4P 4BY

Business for Sale

BUKTA SPORTS·LEISURE

The old established business of Bukta Limited is offered for sale.

* Manufacturers and wholesalers of proprietary and own label leisure and sportswear.
* Annual turnover £7m.
* 220 employees.
* 60,000 sq.ft. property in Central Stockport, Greater Manchester.

For further information please contact the Joint Receivers and Managers:

P. Ramsbottom & A.A.E. Benzie
Peat, Marwick, Mitchell & Co.
Century House
7 Tib Lane
Manchester M2 6DS
Telephone: (061) 832 4221 Telex: 668265

PEAT MARWICK

Alexander Textiles Ltd.
In Receivership

The assets and undertaking of a household textile goods manufacturer with a turnover of approximately £1.3 million p.a. are offered for sale as a going concern.

Assets comprise:
* Finished goods and work in progress
* Plant and machinery
* Leasehold and freehold premises
* Goodwill and patterns
* Forward order book

Further information may be obtained from the Joint Receiver:

J.S. Wheatley, FCA
Peat, Marwick, Mitchell & Co.
45 Church Street
Birmingham B3 2DL
Telephone: (021) 233 1666 Telex: 337774

Curtain Manufacturers
Carlisle

Offers are invited for the whole, or part, of the undertaking and assets of Geltsdale, a well-established manufacturer of high quality curtains.

Principal features comprise:
* Manufacturers for major retail outlets and large industrial concerns
* Convenient location in Brampton, Nr. Carlisle
* Modern premises of 17,000 sq. ft.
* Turnover for year ended 31.3.85 approx. £450,000

For further information please contact:

M. Rimmer Esq.
Peat, Marwick, Mitchell & Co.
Unicentre
Lords Walk
Preston PR1 1LQ
Telephone: (0772) 50821

PEAT MARWICK

ANODISING & ELECTROPLATING

A company situated in the West Midlands with a turnover in excess of £500,000 and an excellent profit record is offered for sale as the controlling shareholder is contemplating retirement. The business is mainly high volume anodising, chrome and nickel plating, with supporting engineering facilities. The company has a high repuation for quality and delivery and could interest a similar organisation seeking to expand.

Write Box G10735, Financial Times
10 Cannon Street, London EC4P 4BY

LITHO PRINTERS
Turnover £700,000

Sheet-fed SRA1, magazine, bookwork and commercial colour process with in-house origination, perfecting, perfect binding and trimstitch. Long established business with experienced work-force and management. Location: North Hampshire.

FOR SALE AS GOING CONCERN

Write in first instance to Box G10761
Financial Times, 10 Cannon Street, London EC4P 4BY

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9,000 sq. yd. + 15,000 sq. ft. yard

South of England based Metal Fabrications Company available with 15 year lease, fixed rent for term. Modern equipment ranging from guillotine to rolling facilities and brake press. Existing staff reliable and permanent. Full order book with regular clients provide t/o of £400,000 and increasing

OFFERS IN EXCESS OF £100,000

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10 Cannon Street, London EC4P 4BY

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SELLERS and BUYERS
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Traditional wallpaper manufacturing unit for sale in Oldham/Lancashire area. Capable of producing up to 8 colour Duplex and Simplex wall-coverings from a base material through to finished boxed product. Apply for details in strict confidence — Principals only to:

MD, Box G10756, Financial Times
10 Cannon St, London EC4P 4BY

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Leasing Company with £5m worth of leasing receivables available for sale. Full details available from:

Box G10753, Financial Times
10 Cannon St, London EC4P 4BY

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80 available bedrooms, 3 banqueting suites, 3 bars, busy restaurant, 2 large car parks, fully staffed. AA/RAC 3 Star, Egon Ronay approved. Greater Manchester area.

Write Box G10752, Financial Times
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Annual turnover £80,000 ex VAT
Audited accounts - Rent £3,000 pa
New 15 year Lease. Freehold and Poster Site available if wanted
Selling area 810 sq ft + stock rms
Price: £31,950 plus SAV

Write Box G10751, Financial Times
10 Cannon St, London EC4P 4BY

Poultry Wholesalers and Distributors
Avon

Pocock and Harding Ltd
in Receivership

The Receivers invite offers for the above business which is a major Wholesaler and Distributor of poultry in the West Midlands, South Wales and the South West of England.

* Turnover about £3m
* Leasehold premises include cold storage

For further information please contact:—

Michael Grant or Peter Thurston,
Spicer and Pegler,
69-71, Queen Square, Bristol BS1 4AE
Telephone: (0272) 214741

Spicer and Pegler & Partners

John Watson Wallcoverings Limited
(in Receivership)
Darwen, Lancashire.

Offers are invited for the above going concern business which is a leading manufacturer of wallcoverings.

* New freehold factory 40,000 sq ft
* Freehold warehousing 30,000 sq ft
* Plant and equipment includes:
* 1 Seven colour gravure printing machine including duplex in register equipment.
* 1 Six colour flexographic machine.
* 3 Multi-colour emboss machines.
* 2 Duplex machines.
* Turnover £2.5 million per annum.

Further information from the joint Receivers:

F W Taylor FCA and D H Slade FCA,
Arthur Young, Silkhouse Court,
Tithebarn Street, Liverpool L2 2LE.
Telephone: 051-236 8214.

Arthur Young
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

FOR SALE BY THE RECEIVERS
The Business and Assets TEACHERBOARDS LIMITED

Manufacturers of blackboards. Leasehold premises at Ilkley, West Yorks. 1984 Turnover £200,000 approx.
Contact the Receivers: C. E. M. Armitage and C. J. Rouleston

BinderHamlyn
CHARTERED ACCOUNTANTS
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Leeds LS1 2TW
Telephone 0532 440204.

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M25 MOTORWAY ACCESS 400 YARDS
Superb 3-acre site fronting Reigate Hill. THE BRIDGE HOUSE HOTEL, REIGATE, SURREY. 3 stars, 30 bedrooms (all e.b.), restaurant and *functions facilities. High profits on net T/O over £390,000. Offers over £1.3m freehold complete.*

AN EXCLUSIVE LUXURY LEISURE COMPLEX
Beautiful West Country 20-acre setting with river frontage. Fully licensed 14-bedroom hotel and 10 cottages. Superb leisure building (squash, pool, banqueting, etc.). Profits over £100,000—consent to extend.
IDEAL AS TIME-SHARE OPERATION
Offers over £1m freehold—advantageous purchase terms.
Full particulars from the Sole Selling Agents at:
Cotswold House, Cirencester, Glos. Tel. (0285) 5236

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PRIVATE LIMITED COMPANY
HEATING AND VENTILATION MAINTENANCE BUSINESS

MIDLANDS · TURNOVER £350,000
Very profitable, excellent cash flow
Owner retiring · Continuing management - Expansion possible
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10 Cannon St, London EC4P 4BY

PHOTOGRAPHIC COMPANY

with four leasehold shops all in *prime positions and long leases.* Turnover in excess of £1 million.

Offers over £50,000

Principals only

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10 Cannon St, London EC4P 4BY

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Valuation in excess of £½m
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10 Cannon St, London EC4P 4BY

West End Commercial Photographic Business

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10 Cannon St, London EC4P 4BY

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LONDON & HOME COUNTIES

800 machines. 360 sites. T/o £2m pa
Gross profit £260,000. Established 1957. Leasehold warehouse/office, machines, vehicles, fixed assets and goodwill — £345,000
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Design/Typesetting Studios plus Print Firm and Stationery *Manufacturing* Business
Nett Profit £15,000 per month
Suitable investment or active *involvement* - Excellent location
Top quality team handling major accounts. Enquiries please to:
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10 Cannon St, London EC4P 4BY

Art Galleries

LEISURE INDUSTRY. N/W Canal Boat Hire Bus. for sale. Write Box G10750, Financial Times, 10 Cannon Street, London EC4P 4BY.

OMELL GALLERIES 28 Bury Street, SW1. Tel: 01-839-6274. EXHIBITION OF MARINE PAINTINGS 13th May - 24th May. Mon-Sat 10-6pm.

ANDREW WYLD Gallery, 17 Clifford St. W1. 734 5575. Watercolours, Drawings and Oil Paintings from GAINSBOROUGH to TURNER. Opening Today, for Three Weeks. 10-6 Mon-Fri.

Money Market Cheque Account Jersey

Gross Rate	Compounded Annual Rate
12.05	12.74

(Minimum balance £2500)
Annual Report and Accounts available on request.
Manager. Rennie Harris
4. Don Road, St. Helier, Jersey. Tel. 0534 38835.
BANK OF SCOTLAND
(Incorporated in Edinburgh, 1695)

International

USA MANUFACTURER
OF FINE CHOCOLATES FOR SALE

Sales $10 m - Profits $1.1m
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U.S. based

Manufacturer of silk flowers and plants has a desire to merge or be acquired by a UK company. Our sales are international in scope with annual sales volume of $25.2 million; profits *are* $5.1 *million; price* $16.0 million; terms negotiable.

Write Box G10757, Financial Times
10 Cannon Street, London EC4P 4BY

METAL MANUFACTURERS
T/O £1.2 million

A long-established family company in the London area, due to retirement of major shareholder/director.
A substantial freehold is involved and net assets are valued in excess of £2 million.
Replies should be sufficiently detailed to elicit a response.

Principals only write to Box G.10767, Financial Times
10 Cannon Street, London EC4P 4BY

OLD ESTABLISHED WEST MIDLANDS MANUFACTURING COMPANY

With profitable turnover c. £2m in Holloware/Housewares Industry seeks to acquire or merge with company of similar size. Ample Freehold Premises available for additional business or would consider re-location if more beneficial.

Tel: PETER CARTWRIGHT 0384 66304

Company Notices

THE BURMAH OIL PUBLIC LIMITED COMPANY
7% 1972/1987
Flux 500.000.000.—

Holders of the above mentioned Bonds are hereby informed that the annual *instalment of Flux 50.000.000.— due* 30th June, 1985 has been effected by drawing by lot in the presence of a notary.

The *following bond numbers have* been drawn:

2381-2487, 2563-2568; 2578; 2625-2651, 2636; 2657-2716; 2720-2762; 2780-2783, 2791-2967; 2971-2985, 2989-3106, 3113-3573

Bonds so called will become due and payable on and after 30th June, 1985. The *principal amount of Bonds out*standing after the amortisation at 30th June 1985 will be Flux 100.000.000.—.

Finally it is recalled that the following bonds which have been drawn by lot in 1984 have not yet been presented for payment:

6558-6567

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
Paying Agent

Luxembourg, May 10, 1985.

NOTICE TO BONDHOLDERS
CITY OF COPENHAGEN
30,000,000 European Units of Account 7% 1978-1998 Bonds

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that nominal UA 870,000 have been purchased for the Purchase Fund during the twelve-month period from May 2, 1984 to May 1 1985.

Amount outstanding: UA 20,330,000.

The Fiscal Agent
KREDIETBANK

May 10 1985

NOTICE TO BOND HOLDERS
ONO PHARMACEUTICAL CO. LTD.
U.S.$60,000,000 3¾ PER CENT CONVERTIBLE BONDS DUE 1998

Pursuant to Clause 7(b) and (c) of the Trust Deed dated 22nd February 1984 in respect of the above issue, notice is hereby given as follows:

1) The Board of Directors of the Company resolved at its meeting held on May 7, 1985 to make to shareholders of record on May 31, 1985 a free share distribution at the rate of one new share for four shares held and,
2) The conversion price in effect on the date is Yen 5,853.80 per share of Common Stock and the adjusted conversion price will be Yen 4,667 per *share of Common Stock, after giving* effect to the aforesaid free distribution, pursuant to the provisions of Condition 5 (D) of the Conditions of the Bonds. Since the record date will be May 31, 1985 the new conversion price of Yen 4,667 will take effect on June 1, 1985 (Japan Time).

THE TOKAI BANK, LTD., London
Principal Paying and Conversion Agent

10th May, 1985

NOTICE TO HOLDERS OF
PASCO CORPORATION
U.S.$20,000,000 5¼%
Convertible Bonds due 2000

The Bank of California New York *Trust Company,* a *Trustee* and a Custodian of the Trust Deed dated 15th February 1985 and constituting the above mentioned Bonds, has changed, effective March 18 1985, its address from 199 Water Street, New York, N.Y. 10083 to 45 Wall Street, New York, N.Y. 10005. The Telex number will remain the same.

PASCO CORPORATION
By: The Mitsubishi Bank, Limited, London
as the *Principal Paying Agent*

10 May 1985

Corrected Notice

INTERFIRST TEXAS FINANCE N.V.
US$100,000,000
Guaranteed Floating Rate Notes Due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the three months period May 13th, 1985 to August 13th, 1985 the Notes will carry a Rate of Interest of 8$\frac{7}{16}$% per annum with a Coupon Amount of US$215.82.

Agent Bank
CHEMICAL BANK

Contracts & Tenders

SOUTHERN WATER AUTHORITY

The Authority intends to invite tenders during 1985 for the supply of digital mapping application systems and associated equipment. Firms interested in being considered for invitation to tender for these systems should apply in writing in the first instance to the undersigned by 30 May 1985, giving details of the company, products currently available and similar work undertaken for other Authority's in the Public Utilities and Local Government arenas or other major bodies. A copy of the latest available published accounts is to be supplied with the application.

Further information can be obtained from Mr. C. E. H. Corbin Computer Services Telephone:— 0273-507101 extension 204.

Director of Administration,
Southern Water Authority,
Guildbourne House, Chatsworth Road, Worthing,
West Sussex, BN11 1LD.

MANCHESTER INTERNATIONAL AIRPORT AUTHORITY
Tender for Bookshop, Gift Shop, Drugstore and Delicatessen Concessions at Manchester Airport

Applications are invited from companies wishing to be included on a tender list for the provision of the above-mentioned facilities on a concessionary *basis at the Airport with* effect from 1st November, 1985. Tenders may be submitted for one, more than one or all facilities. Written applications should be forwarded to Administration Section, Manchester International Airport Authority, Manchester Airport, M22 5PA by 3rd June, 1985.

MANCHESTER INTERNATIONAL AIRPORT AUTHORITY
Tender for Operation of Business Centre at Manchester Airport

Applications are invited from companies wishing to be *included* on a tender list for the provision of a Business Centre at the Airport. *This new concession may com*mence operating in November 1985. Written applications should be forwarded to Administration Section, Manchester International Airport Authority, Manchester Airport, M22 5PA by 24th May 1985.

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Sumlock House, 314 Chester Road, Hartford
Cheshire CW8 2AB - Tel: 0606 888810

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The Legal Profession

On 13 June the Financial Times will publish its first ever survey on the Legal Profession. In conjunction with the Solicitors Exhibition at the Barbican, where copies of the survey will be distributed, it will cover a range of issues currently affecting the profession, including:—

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TECHNOLOGY

EDITED BY ALAN CANE

False dawn in the new world of manufacturing

BY ALAN CANE

SERIOUS CONCERN that the most advanced form of manufacturing technology—CIM or computer integrated manufacture—is failing to bring the expected benefits has been expressed in the past week by two of the UK's major manufacturing automation consultancies.

Mr John Leighfield, chairman of Istel (formerly BL Systems) warned that executives in British manufacturing companies did not understand the importance of integrated manufacture: "I have great sympathy for top management in these companies. There is frequently a degree of alienation between the engineers and the computing services department and there is no clear understanding of how it can all be fitted together."

And Ingersoll Engineers, a major engineering consultancy which has published a significant list of reports on automated manufacturing in the UK, argued that only patchy profit improvement had been won in the past five years through the application of advanced manufacturing and information technology.

Mr Brian Small, a director of Ingersoll Engineers said in launching the company's new report Integrated Manufacture: "The level of success in the application of the most sophisticated technologies such as computer integrated manufacture, flexible manufacturing systems, manufacturing resource planning and so on has often been abysmal."

He went on to argue: "Only where reasonably well proven manufacturing and information technology has been systematically applied has there been a significant profit improvement.

"This improvement has had more to do with the firm's ability to simplify operations, remove waste and extend integration than it has with the implementation of new technologies."

Computer Integrated Manufacture is the latest of a series of manufacturing technologies which have been hailed as major stages on the way to the "Factory of the Future."

CIM implies the use of computer control to underly all aspects of the manufacturing process from customer orders through stores control to machine control and inventory.

It is the next stage on from flexible manufacturing systems where a group of robots and machine tools, served by automatic vehicles bringing materials and taking away finished parts can be set up to make a wide range of components. The component being made at any one time would depend on the computer programs run on the system.

The principle worry in companies like Istel and Ingersoll is that although CIM is the most powerful manufacturing technology yet devised, its effective implementation is being held up by a combination of management ignorance and technological oversell.

Mr Leighfield points out: "Once the message gets through to UK management, they understand it and are as committed to it as anybody else."

Mr Small thinks there are four reasons for the failure of CIM in the UK:

● Too many over-enthusiastic technologists have persuaded general management to invest in technology solutions that were not the answers to their real business problems.

● Too many firms have succumbed to the "peddlars of that cloud called the Factory of the Future.

● Too many companies have tried to make too great a leap in manufacturing technology: "It has worked a little bit, but like the Chinese great leap forward, the results are disastrous."

● Industry cannot rid itself of the "work study syndrome" and its preoccuation with localised work improment rather than overall systems: "Too much technology has been placed piecemeal in Victorian environments in preference to an overall plan for the manufacturing business."

The Ingersoll solution, amply detailed in its report is to keep things simple.

"While industry is paying too much attention to technology," Mr Small argues, "it ought to be tackling its business from first principles.

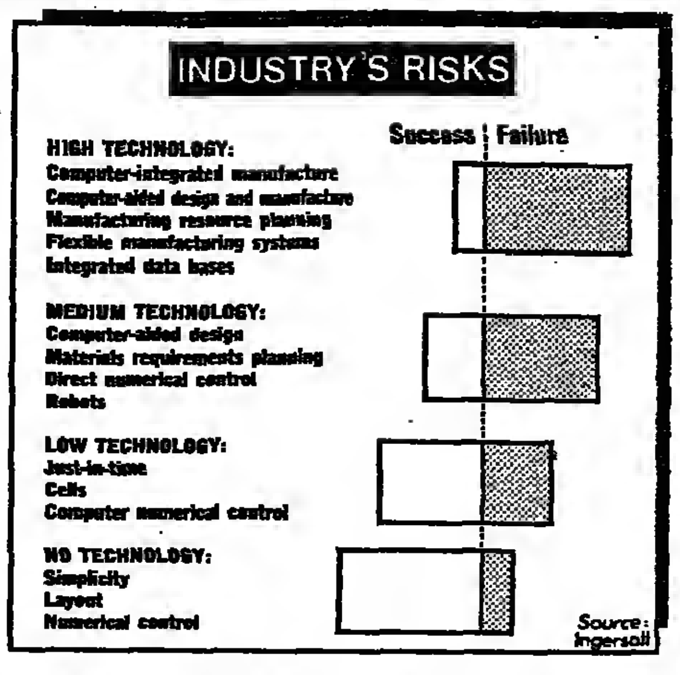
"Low technology has a much better track record of business improvement and the risks are that much less onerous. Our advice is—'Keep things simple. The Japanese do.'"

Istel has formed a new company, Istel Automation, under Mr Michael Grant to implement its philosophy of advanced manufacturing.

He argues that there is a shortage in the UK of in-house specialised skills and few "systems integrators" of any size or experience. (Systems integrators are specialists in linking together plants and equipment, robots, communications, simulation, management and so on into complete systems.)

What both Ingersoll and Istel agree on is that there is no question of the power of computers in integrated manufacture. But so far computer application has been piecemeal—there have been very few attempts at real integration. Now industry is paying the price for lack of planning and over confidence in the technological fix.

** Articles featuring Istel and reviewing Integrated Manufacture will appear on this page in the next few days.*



How to stop the grass from growing under your feet

Video & Film

BY JOHN CHITTOCK

ONCE UPON a time TV producers made programmes for broadcast television, sponsored film companies worked mainly for industry, and the facilities business in London's Soho specialised in well defined segments of the market. Everyone knew his place in life and happily ignored what happened on the other side of Wardour Street. And many tried to keep it that way.

The victims of myopia or dyslexia are now a part of media history — although this year witnessed another failure with the closure of Humphries, one of the best known film laboratories in London and a company which had been in the forefront of resistance to change.

The threats to old established businesses have now worked their way through the system and the strategy now is not to stand still for long. In the past year the relatively new video facilities industry, for example, has been playing a game of musical chairs — hi-tech loss-making Molinare, now taken over by Television Services International; the successful Moving Picture Company joining forces with the Carlton group; and Rank shaving off parts of their TV facilities business — selling their outside broadcast vans to Trilion Video and watching another newer name, Visions, enter the OB business which was always such a burden to Rank.

More changes and mergers in the high-overhead video facilities industry are expected. Whereas Trilion Video has recently equipped itself with a monster size OB van which is virtually an on-location life support unit, others are looking for new markets as the future of conventional broadcast TV seems less encouraging. Indeed, specialisation is now superseded by adaptability as a commercial strategy because no two customers, applications or permutations of media are ever the same any longer.

An example of this under one roof in Camden, opposite TV-am's studios, is two parts of the MAM group — Research Recordings and MAM Inn Play. The former was originally an independent video facilities house but now has a logical marriage with the latter, which is one of Britain's leading operators of amusement equipment in the hotel and leisure industry — ranging from music to a recently launched hotel video movie system.

At only £20 per week, MAM Inn Play is offering this to small hotels as an automated VHS system for relaying movies to bedrooms. It has also developed its own attractive version of an interactive video disc console for use in point-of-sale—available at a competitive £3,500.

Research Recordings fits sensibly into the spectrum with post-production services that embrace everything from computer graphics to video discs; and with old fashioned film-to-tape transfers and audio recording on hand. It has yet to attract work from TV-am across the road, but the Lifestyle cable TV channel is in the same building and the Premiere movie channel already goes out to operators through Research Recordings' facilities.

Agility in meeting the changing needs of this volatile business, without losing a reputation for special expertise, is a difficult balancing act. Another company embarking on diversification is the Aspen Communications group, which has taken over Realmheath—a firm strongly identified with interactive video and point-of-sale display and now re-named Aspen Television.

Last week, Aspen launched a new venture in association with British Transport Advertising—name, RendezView. This provides train travellers with up-to-date news from BBC's Ceefax via six television monitors in a unit located on railway stations. A further three TV screens carry a repeating 15-minute cycle of commercials. The first RendezView installation is at Waterloo Station, where a 30-second commercial will cost the advertiser £1,000 for a eight-week campaign.

RendezView uses videotape. But the video disc is coming on strongly in a variety of similar applications which exemplify the diversification of markets. The most innovative about to be launched comes from a new company called Visual Data Systems, with a new name for the videophile's vocabulary — "surrogate travel."

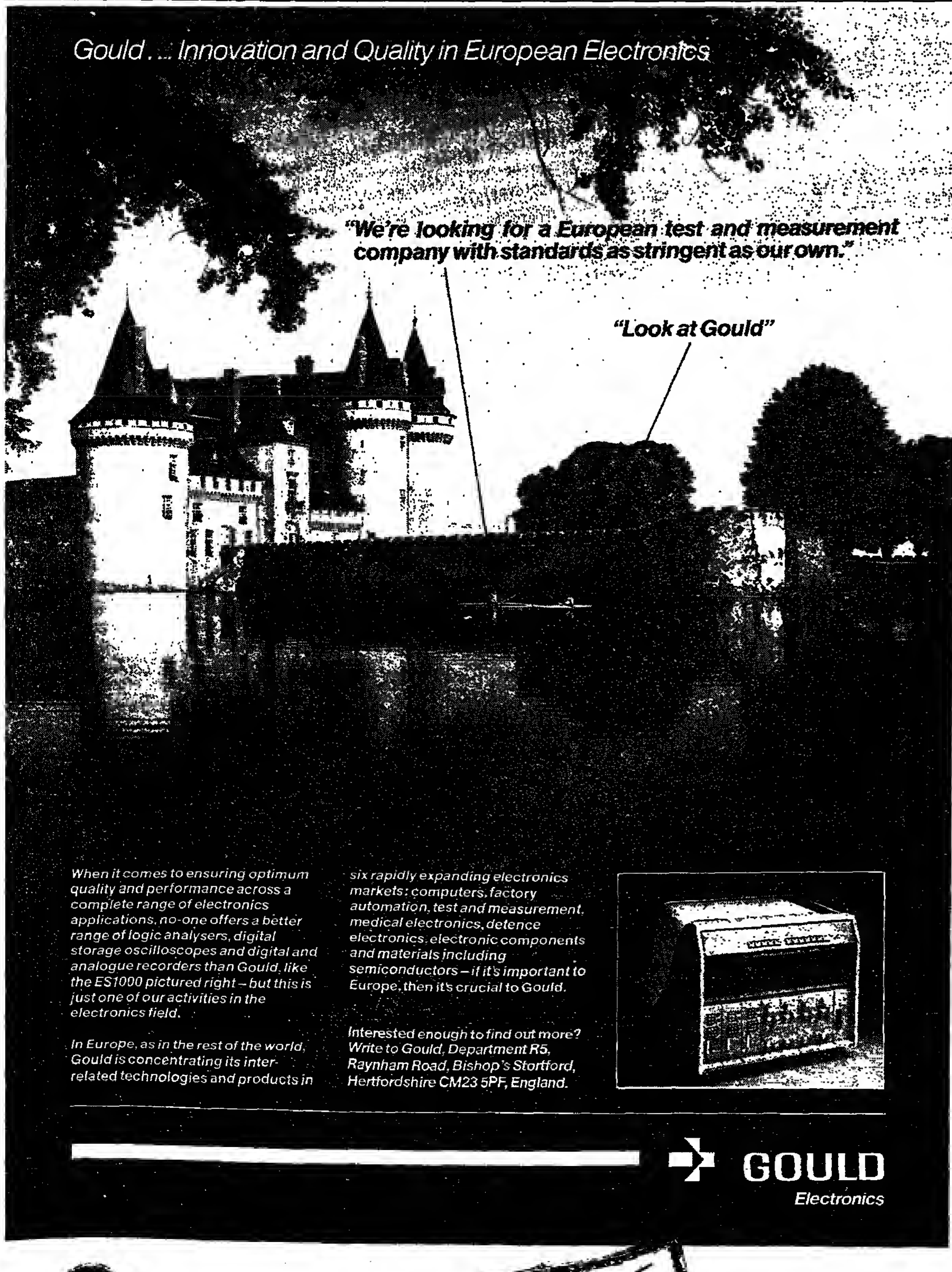
The idea of surrogate travel is to use the interactive facility of the video disc to provide a live action route guide. The user sits in front of the screen with a joystick controller. The screen displays a still picture of the starting point—in one example, the beginning of a familiarisation tour round an off-shore oil platform; in another, the start of an aerial exploration of Berlin (made for the U.S. Defence Department). Pushing the joystick forward takes the viewer along the route as seen from the traveller's viewpoint; pushing the stick to the left, right or backwards appropriately changes the direction and viewpoint of travel. Details en route can be frozen, even enlarged.

Surrogate travel is an extraordinary development, demonstrating the real capability of the video disc. It exemplifies how interactive video is capturing the imagination of this industry, heralding new areas of growth. But the current enthusiasm for interactive video is in danger of going over the top, reviving past experiences of over-supply or obsession with technology at the expense of creativity in using it.

It is programming that keeps the sprocket wheels and video heads turning in this business —at least, programming of the type that people want. Yet production companies working in more conventional areas are not finding the market awash with money, even when the need is of supreme importance.

Who would doubt, for example, the topical value of a video programme designed to show school-leavers how to present themselves for a job interview? With the title *You Can't Just Walk In* (and starring Daly Thompson for teenage appeal), SB Modules have recently made this videocassette speculatively. But the need for it is in a market characterised by poverty and only the financial weight of industrial sponsorship will make such programmes really viable.

And it is industry, through sponsorship or advertising, which is increasingly feeding this business—whether via training, communication, marketing or just plain patronage. The video facilities houses and system suppliers are apparently working for producers, cable operators and the like. But with industry more frequently at the other end of the chain, those who have an empathy for industry will be those more likely to succeed.



Plessey on the line for you

BY GEOFFREY CHARLISH

TRANSDUCERS that fit into the two ends of the standard British Telecom (BT) telephone handset are being made at Plessey Office Systems, Nottingham, on two new automatic assembly machines from Bridgeport Textron of Leicester.

The Plessey 9T telephone speech transducer replaces older systems in which microphone and earpiece inserts were different types. Designed to BT specifications, the new unit can receive or transmit.

Made under licence from Bodine of Connecticut, each assembly machine is arranged in an extended "U" layout. The first unit has 30 stations and 11 inspection points and builds a sub-assembly in which the coil is wound in situ and is terminated and soldered. The winding is produced by a computer-controlled Aumann four-head semi-automatic winding, waxing and tinning machine placed next to the Bodine line.

The second machine builds the final assembly of the transducer from the basic body/coil moulding by progressively adding the armature, diaphragm and cap assembly. Ten inspection points along the machine's 30-station length ensure accurate assembly. At one station, the armature is magnetically saturated. After assembly, the transducers are step-demagnetised to specification levels on robot-served test beads.

Bridgeport TEXTRON

The whole approach of design for automation has substantially reduced the overall cost of the telephone.

Plessey opted for the Bodine machines because of their mechanical in-line design. It is claimed that in-line machines are faster than rotary "carousel" designs and the mechanical cam-controlled pick-and-place mechanisms are considered to be more reliable than pneumatic types.

The Bodine design is based around standard modules and the company claims that, even for the most specialised applications, some 75 per cent of its machines are built from standard parts.

So, claims Textron, the Plessey machines were essentially proven before specific design work had begun and in addition, costly engineering time was minimised.

The machines are constructed around a main chassis consisting of five bay/modules. A high tensile steel belt runs round the chassis, moving the work pallets that hold the transducers. A cam-activated rise and fall bar through the centre of the machine controls a number of machine actions and inspection probes. This, says Textron, largely eliminates the need for complex combinations of electronic, pneumatic and hydraulic devices. All the machine motions are driven from a single 3HP motor.

Around the basic construction are arranged the specific tools and accessories like presses and placing units.

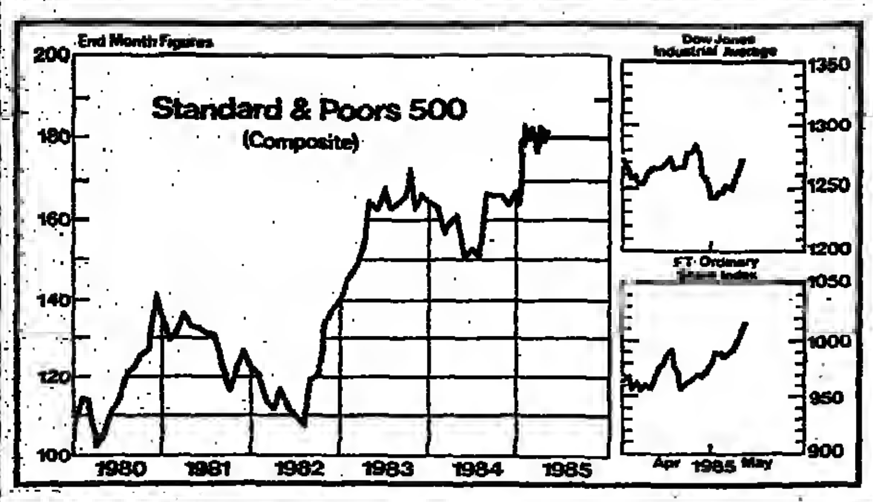
SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday May 14 1985

Lean times ahead for red meat, Page 48

KEY MARKET MONITORS



STOCK MARKET INDICES

	May 13	Previous	Year ago
NEW YORK			
DJ Industrials	1,274.73*	1,274.18	1,157.14
DJ Transport	917.03*	614.03	502.06
DJ Utilities	158.85*	159.73	129.29
S&P Composite	184.52*	184.28	158.49
LONDON			
FT Ord	1,016.9	1,001.9	874.0
FT-SE 100	1,333.0	1,315.8	1,078.7
FT-A All-share	639.84	632.33	515.37
FT-A 500	700.86	692.46	563.38
FT Gold mines	497.1	493.9	597.6
FT-A Long gilt	10.76	10.82	10.59
TOKYO			
Nikkei-Dow	12,541.53	12,527.31	10,833.8
Tokyo SE	981.36	979.49	848.98
AUSTRALIA			
All Ord.	892.7	884.7	747.9
Metals & Mins.	573.2	564.2	508.9
AUSTRIA			
Credit Aktien	94.70	95.38	54.87
BELGIUM			
Belgian SE	2,223.97	2,220.46	—
CANADA			
Toronto			
Metals & Minls	2,015.9*	1,996.3	2,015.0
Composite	2,643.2*	2,634.1	2,298.2
Montreal			
Portfolio	130.09*	129.70	111.28
DENMARK			
Copenhagen SE	186.22	186.84	195.93
FRANCE			
CAC Gen	220.2	218.2	178.9
Ind. Tendance	121.4	119.7	93.1
WEST GERMANY			
FAZ-Aktien	428.11	426.34	348.16
Commerzbank	1,251.2	1,244.5	1,015.7
HONG KONG			
Hang Seng	1,628.29	1,613.36	928.32
ITALY			
Banca Comm.	294.47	289.02	211.16
NETHERLANDS			
ANP-CBS Gen	209.1	209.1	163.7
ANP-CBS Ind	171.9	172.5	131.5
NORWAY			
Oslo SE	334.48	332.58	293.02
SINGAPORE			
Straits Times	801.64	798.12	979.43
SOUTH AFRICA			
JSE Golds	–	1,069.1	903.7
JSE Industrials	–	911.3	980.6
SPAIN			
Madrid SE	111.26	111.17	86.1
SWEDEN			
J & P	1,424.75	1,458.33	1,532.93
SWITZERLAND			
Swiss Bank Ind	433.0	432.3	380.7
WORLD	May 8	Prev	Year ago
Capital Int'l	206.1	204.6	186.4

GOLD (per ounce)

	May 13	Prev
London	$322.25	$314.50
Zürich	$321.05	$314.05
Paris (fixing)	$317.56	$313.94
Luxembourg	$317.00	$313.75
New York (June)	$326.35	$317.50

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR May 13	U.S. DOLLAR Previous	STERLING May 13	STERLING Previous
$	–	–	1.254	1.234
DM	3.0725	3.1185	3.8525	3.8525
Yen	251.3	252.5	315.0	312.0
FFr	9.37	9.51	11.74	11.74
SwFr	2.5825	2.6295	3.24	3.25
Guilder	3.479	3.5175	4.3525	4.345
Lira	1,969.0	1,992.5	2,458.0	2,461.25
BFr	62.05	62.8	77.85	77.6
C$	1.3755	1.378	1.723	1.7

INTEREST RATES

	May 13	Prev
Euro-currencies (3-month offered rate)		
£	12 11/16	12¾
SwFr	5 1/16	5
DM	5 11/16	5¾
FFr	10 5/16	10 7/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 5/16	8⅝
6-month U.S.$	8⅝	8 15/16
U.S. Fed Funds	8¼*	9¼
U.S. 3-month CDs	7.9 *	9
U.S. 3-month T-bills	7.69*	7.73

U.S BONDS

Treasury	May 13* Price	May 13* Yield	Prev Price	Prev Yield
9¾ 1987	100 9/32	8.82	100 14/32	9.57
11⅝ 1992	104	10.91	104	10.91
11¼ 1995	101 7/32	11.05	101 7/32	11.05
11¼ 2015	100 14/32	11.19	100 14/32	11.19
Corporate	May 13*		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	98⅝	10.70	98⅝	10.70
3⅞ July 1990	77⅞	9.45	77⅞	9.45
8¾ May 2000	78⅛	11.85	78⅛	11.85
Xerox				
10⅞ March 1993	96	11.40	96	11.40
Diamond Shamrock				
10⅝ May 1993	95	11.60	95	11.60
Federated Dept Stores				
10⅝ May 2013	99⅛	11.83	99⅛	11.83
Abbot Lab				
11.80 Feb 2013	99⅞	11.82	99⅞	11.82
Alcoa				
12¼ Dec 2012	99½	12.30	99½	12.30

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	72-29	73-02	72-23	72-30
U.S. Treasury Bills (IMM) $1m points of 100%				
June	92.32	92.35	92.30	92.33
Certificates of Deposit (IMM) $1m points of 100%				
June	91.82	91.86	91.79	91.80
LONDON				
Three-month Eurodollar $1m points of 100%				
June	91.48	91.50	91.46	91.49
20-year Notional Gilt £50,000 32nds of 100%				
June	105–19	105–21	105–01	105–01

COMMODITIES

(London)	May 13	Prev
Silver (spot fixing)	506.75p	510.30p
Copper (cash)	£1,226.50	£1,267.50
Coffee (May)	£2,093.00	£2,105.00
Oil (spot Arabian light)	$27.05	$27.00

WALL STREET

Opportune break to absorb gains

FINANCIAL markets were in good form again yesterday, when both bond and stock prices consolidated the sharp gains chalked up late last week, *writes Terry Byland in New York.*

Fridays approval in the Senate for the proposed budget cuts bas strengthened the likelihood of reduced federal borrowing, and therefore easier federal reserve credit policies.

At 3pm, the Dow Jones industrial average, which is still under its February peak, was a net 0.55 points higher on the day at 1,274.73. *Turnover was down* by more than one third from Friday.

Both sectors of the market needed a break to absorb the substantial gains of Friday's session. This week brings further official data on the progress of the U.S. economy, which will be scanned for confirmation that the growth pace is slowing and may encourage stimulative policies by the Fed. Todey and tomorrow feature data on retail sales and industrial production.

The bond market remained firm, buoyed by the success of the U.S. Treasury's record funding programme, completed last week. Federal funds traded quietly around the presumed target range of the Federal Reserve. The next hurdle comes at the beginning of next week, when the Fed's Open Market Committee (FOMC) meets to discuss policy. Wall Street is convinced that the Federal discount rate will be cut by half a point to 7½ per cent, probably shortly after the FOMC session.

In the stock market, turnover was moderate, and prices trod water around *Friday's closing levels, which left both* the Standard & Poor's 500 and the New York Stock Exchange index at new peaks. Several major brokerage firms have turned publicly bullish in the past week, and recommend clients to turn away from the defensive sectors and seek out growth issues in the technology and capital goods areas.

Capital goods stocks to find support included Monsanto, $¼ up at $47⅞, Dow Chemical, $¼ higher at $31⅜, Colt Industries $1 higher at $56, and Deere, $⅛ better at $28⅞.

General Electric softened by $¼ to $60⅞ after pleading guilty to charges of defrauding the Pentagon – and paying a $1m fine. General Dynamics fell $1⅛ to $70⅞. Other defence issues were mixed as Wall Street pondered prospects after president Reagan's climbdown over future Defence spending. Boeing eased $¼ to $62, and McDonnell Douglas $½ to $74½.

IBM edged up by $⅛ to $130⅞, but other technology issues were a shade off in a general lack of buying interest. There was some profit-taking in car makers, which took Ford down by $⅜ to $42⅞.

A large block trade pushed Pan Am to the top of the active list, with the stock $⅛ firmer at $5⅞. Despite favourable investment comment on prospects on the Pacific routes it is buying from Pan Am, stock in United Air dipped $⅜ to $447.

Oil shares were mixed in thin trading. Unocal eased $¼ to $45⅝ as Wall Street awaited news from the stockholders meeting where Mr T. Boone Pickens will again seek a delay in order to strengthen his chances of a successful takeover bid.

Other takeover stocks lay dormant. CBS at $111⅛ lost $1 as the attention of media industry analysts turned towards the Murdoch-Metromedia deal. Warner Communications slipped by $1 to $27⅞ with investors expecting a move to untie the link-up with Chris-Craft Industries.

Thrift industry stocks held steady, and the credit markets appeared unaffected by new problems, this time in Maryland, where Old Court Savings has suffered a run on deposits.

Bank stocks paused after their latest upswing. Bankers Trust remained in favour, $⅝ higher at $72⅞. But Manufacturers Hanover eased $¼ to $39⅛, and BankAmerica $⅛ to $21.

Short-term interest rates were steady, with Treasury Bills either side of Friday's closing levels. Bonds looked firmer where changed but had a quiet session.

EUROPE

Stockholm rate rise casts gloom

THE DECISION of the Swedish Government to raise the discount rate and introduce a package of credit curbs cast a gloom over Stockholm yesterday, although a number of other European bourses took heart from a weaker dollar and reached record highs.

The Veckans Affarer All-share index dropped 10.8 to 487.0 in relatively heavy turnover of SKr 240m.

Sandvik was one of the few issues to resist the trend with its SKr 10 advance to SKr 410 in the market that is beginning to feel the effects of continued industrial action by the country's civil servants which has affected foreign trade and closed most government agencies. Aga fell SKr 15 to SKr 405, Skandia turned SKr 10 cheaper to SKr 319 and Volvo dipped SKr 8 to SKr 252.

Asea held steady at SKr 335 despite its slower first-quarter growth, and Atlas-Copco's strong first-quarter showing failed to prevent a SKr 4 decline to SKr 111.

Despite the sharpness of the setback, the underlying tone of the market is viewed as sound and foreign interest remains strong.

The record-setting run on the Frankfurt bourse continued yesterday despite the weekend local election setback for the Government of Chancellor Kohl.

The Commerzbank index built on the all-time highs set on Thursday and Friday, with a further 8.7 point rise to 1,251.2 with bank and chemical shares finding particular favour.

Deutsche Bank surged DM 7 to DM 479, while Commerzbank continued to be less volatile with a DM 2.20 rise to DM 180.20, while Dresdner Bank, trading ex its DM 7.50 dividend after Friday's annual meeting, dipped DM 2.20 to DM 221.40. Foreign demand was cited for the strong performance by the sector.

In chemicals, Bayer firmed DM 2.30 to DM 218.10, while Hoechst's DM 3.50 gain took it to DM 218.50. BASF added DM 1.40 to DM 206.10.

Bonds were actively traded with gains of up to 40 basis points stemming largely from the softer dollar and the strong close of U.S. credit markets last week.

The Bundesbank sharply increased sales of paper to meet a surge in demand by selling DM 151.2m of bonds after Friday's sales of DM 48.3m.

Leading banks in Zurich were buoyed by constant foreign and domestic demand that was only partially offset by late profit-taking. The Swiss Bank Industrial index benefited from the stronger tone and added 0.7 points to a record 433.0, while the SB bank sub-index surged 4.8 points to an all-time high of 686.9.

Union Bank added SwFr 25 to SwFr 3,775, Swiss Bank picked up SwFr 1 to SwFr 396, while Bank Leu among the smaller institutions advanced SwFr 20 to SwFr 3,820.

Elsewhere, Nestlé added SwFr 40 to SwFr 6,700 and Landis & Gyr dipped SwFr 10 to SwFr 1,650. Alusuisse, pressured by an oversupply in the aluminium market, turned SwFr 1 cheaper to SwFr 804.

Bonds firmed in anticipation of softer Swiss interest rates and in reaction to the slightly easier dollar.

The prospect of lower French interest rates turned Paris firmer with most sectors posting gains on the day.

Lesieur moved against the trend with a FFr 24 fall to a low for the year of FFr 856, while Michelin managed a FFr 8 gain to FFr 935 ahead of reporting a lower loss for 1984.

A moderately active **Amsterdam** moved higher although Royal Dutch shed Fl 2.20 to Fl 200.80 due to the weaker dollar while Hoogovens edged 20 cents higher to Fl 62.

Bonds tended steady to higher.

Brussels and **Madrid** began the week slightly higher while **Milan** posted wide gains ahead of the results of the regional and local government elections.

LONDON

THE SUCCESS of the British Aerospace offer sent a wave of confidence through trading in London. The FT Ordinary share index moved within 8 points of its record with an advance of 15 to 1,018.9.

Government stocks, which less than a week ago were knocked down by unexpectedly bad UK money figures, shared in the brighter tone.

Overseas buyers concentrated attention for government securities on medium life stocks, while domestic investors favoured longer-dated issues.

Burmah Oil became the centre of takeover interest following reports of aborted talks with Heron International.

Chief price changes, Page 42; Details, Page 43; Share information service, Pages 44–45

HONG KONG

LATE profit-taking clipped back earlier advances in Hong Kong with trading active throughout the session. The Hang Seng index closed holding a 14.93 rise to 1,628.29.

Institutions and small investors were evident during the morning rally. However, they reduced buying as fresh incentives failed to appear.

Among the banks, Bank of East Asia firmed HK$1.30 to HK$26.70 and Hang Seng HK$2.00 to HK$52.00, while China Light added 20 cents to HK$15.80 and Hong Kong Gas 25 cents to HK$9.95.

SINGAPORE

ACTIVE TRADING in speculative stocks engendered a brighter mood throughout most sectors in Singapore, although blue chips remained in the doldrums.

The Straits Times industrial index pierced the 800-point resistance level with a 3.52-point rise to 801.66 – its highest level since mid-April.

Banks closed mostly higher led by DBS, firming a further 10 cents to S$8.20. Plantations closed marginally firmer and smaller property stocks registered modest advances.

SOUTH AFRICA

GOLD STOCKS enjoyed continued support during moderate trading in Johannesburg as weakness in the dollar pushed international bullion prices higher.

Among the strongest improvers, Kloof added R3 to R82, Loraine 55 cents to R10.20 and Sallies 30 cents to R5.70. Mining financials shadowed golds with Anglo American up 75 cents to R28.0, Impala Platinum 50 cents higher at R21.50 and diamond share De Beers climbed 10 cents to R10.60.

TOKYO

Speculative enthusiasm diminishes

ENTHUSIASM waned as trading progressed in Tokyo after a firm opening, *writes Shigeo Nishiwaki of Jiji Press.*

Reflecting the continued advance on Wall Street late last week, the Nikkei-Dow average gained 42 points early in the morning, but gradually declined later to finish the day at 12,541.43, up only 14.22 from Friday. Volume declined from 430m shares to 318m. Advances outpaced declines 401 to 353, with 167 issues unchanged.

The Tokyo Stock Exchange (TSE) began trading at its new Y12bn ($47.8m) building where about 70 per cent of the first section's 1,043 issues are processed by computer, with an on-line system transmitting market information to brokerage houses.

Hopes were high, especially among speculators, that the start of computerised trading would enliven the market and push up prices. These hopes had prompted speculative buying of Heiwa Real Estate, the owner of the TSE building, but they proved illusory.

Prices advanced early in the morning, but investors became discouraged when Heiwa Real Estate lost ground, sliding Y25 to Y918.

In dull trading, stocks with off-the-book assets were traced actively. Mitsubishi Estate, actively traded, gained Y17 to Y670 while Tokyo Tatemono and Mitsui Real Estate added Y12 to Y510 and Y24 to Y717, respectively.

Railways were also sought, with Tokyu Corporation rising Y4 to Y390 and Keisei Electric Railway Y11 to Y416. Both issues benefited from holding off-the-books assets.

Among biotechnologies, Kirin Brewery finished Y11 up at Y678. It was the most active stock with 13.73m shares changing hands. Toyojozo rose Y30 to Y1,890, but Asahi Chemical, though the second busiest, shed Y4 to Y930.

Showa Shell Oil jumped Y27 to Y642, mirroring the yen's firmness.

Blue chips remained unpopular, with Kyocera dropping Y390 to Y4,600. But Sony gained Y70 to Y4,140.

Bond trading was brisk, with growing investor expectations for a drop in U.S. interest rates. The yield on the benchmark 7.3 per cent government bonds due in December 1993 dropped to 8.560 per cent from Friday's 8.565 per cent. Interest has recently shifted to the 8.8 per cent government bonds maturing in December 1994. Its yield plunged to 8.680 per cent from 8.750 per cent.

AUSTRALIA

BOLSTERED by higher gold prices and strength in international bourses, Sydney share prices reached record levels in active trading.

The All-Ordinaries index advanced 8.4 to a new high of 892.7, 3.1 above its previous record set on May 8.

Mining stocks were singled out with leading gold issues strongly supported. Central Norseman Gold firmed 20 cents to A$8.70, Renison 14 cents to A$5.50 and GMK 26 cents to A$9.78.

CANADA

LAST WEEK'S rally continued during trading in Toronto with banking stocks again the most active in a buoyant industrial sector.

Bank of Nova Scotia topped the list trading down C$⅛ at C$12⅝, while National Bank of Canada traded up C$¼ at C$19 and Canadian Imperial Bank traded unchanged at C$31⅞.

Prices at 3pm, May 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	10	AAR	.48	2.8	13	288	17½	16⅞	17	−⅛
19	8⅝	AGS			12	23	14¾	14½	14⅝	+⅛
17⅝	9⅝	AMCA				3	11¼	11⅛	11¼	+¼
21½	13¾	AMF	.50	2.5	56	818	16⅞	19⅝	19¾	−¼
44⅞	24¼	AMR			10	3556	u45	44⅜	44⅝	+⅛
21⅜	16⅝	AMR pf	2.18	10.		233	20⅞	20¾	20⅞	+⅛
25⅞	22⅞	ANR pf	2.67	11.		2	24⅝	24⅝	24⅝	−⅛
14¼	7¾	APL			45	60	10½	10	10⅝	+⅜
65¼	44⅜	ASA		23.8		x738	53¼	52¼	53¼	+1⅝
27	14⅛	AVX	.32	2.0	13	1061	16¾	16⅛	16¼	−½
24⅞	16	AZP	2.72	12.	7	606	23½	23¼	23⅜	
54	36¾	AbtLab	1.48	2.6	15	977	53⅜	53	53⅛	
25⅞	17	AccoWd	.44	2.9	17	129	21¾	21½	21½	−⅛
21½	13½	AcmeC	.40	2.8		8	14¼	14¼	14¼	
10½	7⅞	AcmeE	.32b	4.2	10	40	7¾	d	7⅝	7⅝
17⅜	15	AdaEx	1.92e	11.		43	16⅞	16⅝	16¾	−⅛
20	11½	AdmMl	.32	2.1	6	x5	15⅝	15⅛	15½	−⅛
19½	8⅝	AdvSys	.53t	4.9	18	26	10⅞	10½	10⅞	+¼
41⅛	25⅛	AMD			13	2699	30⅛	28¾	28¾	−1½
[illegible]										

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Continued on Page 41

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, May 13

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 42

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
30	16⅛	ZenithE			9	1167	20¾	20½	20¾	+⅜
21⅞	14⅜	Zero	.32	1.8	15	56	18¼	17⅞	18¼	+⅜
31⅜	21⅞	Zurnin	1.32	4.4	11	273	29⅞	29¾	29⅞	

Sales figures are unofficial. Yearly highs and lows reflect the *previous 52 weeks plus the current week, but not the latest* trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and *dividend are shown for the new stock only. Unless otherwise* noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD VALUE OF THE DOLLAR

every Friday

WORLD STOCK MARKETS

AUSTRIA

May. 13	Price Sch%	+ or —
Creditanstalt	337	....
Goesser	330	—25
Interunfall	880	—20
Laenderbank	325	....
Perlmooser	335	....
Steyr-Daimler	210	....
Veitscher Mag	496	—14

BELGIUM/LUXEMBOURG

May13	Price Frs.	+ or —
B.B.L.	1,230	+20
Banq. Int. A. Lux	6,000	....
Bekaert B	8,400	....
Ciment CBR	2,360	—20
Cockerill	223	—3
Delhaize	8,550	+350
EBES	2,800	—10
Electrobel	8,500	—40
Fabrique Nat	1,900	—5
GB Inno BM	6,055	+10
GBL (Brux)	1,963	+23
Gevaert	5,695	—65
Hoboken	3,490	....
Intercom	2,240	+5
Kredietbank	8,250	+50
Pan Hldgs	11,000	....
Petrofina	5,870	+40
Royale Belge	11,850	—75
Soc. Gen. Banq	8,260	+70
Soc. Gen. Belge	1,845	—5
Sofina	6,910	+10
Solvay	4,290	....
Stanwick Intl.	1,550	—20
Tractionel	5,850	—50
UCB	4,905	+10
Wagon Lits	3,000	+20

DENMARK

May 13	Price Knr %	+ or —
Andelsbanken	290	—3
Baltic Skand	530	....
CopHandelsbank	265xr	—2
D. Sukkerfab	528	....
Danske Bank	299	—1
De Danske Luft	1,156	....
East Asiatic	218	—3
Forenede Brygg	990	....
Forenede Damp	134	—6
GNT Hldg	395	—52
I.S.S.B.	485	....
Jyske Bank	625	....
Novo Ind	1,538	....
Privatbanken	263	—3
Provinsbanken	855	—38
Smidth (F)	249	—2
Sophus Berend	1,040	+20
Superfos	452	—2

FRANCE

May 13	Price Frs.	+ or —
Emprunt 4½% 1973	1,690	—8
Emprunt 7% 1973	8,285	+72
Accor	277	....
Air Liquid	634	+4
BIC	527	+10
Bongrain	1,910	+10
Bouygues	755	+34
BSN Gervais	2,576	+28
CIT-Alcatel	1,342	—6
Carrefour	2,160	+5
Club Mediter'n	534xc	—41
Cie Bancaire	320xc	+38
Cofimeg	290.2	+1.2
Damart	2,342	—1
Darty	1,528	—1
Dumez S.A.	630	+8
Eaux (Cie Gen)	534	+8
Elf-Aquitaine	230.1	—0.2
Essilor	3,460	—60
Gen. Occidentale	711	+4
Imetal	121.3	+0.8
Lafarge Coppee	515	+7
L'Oreal	2,500	+30
Legrand	2,060	—1
Maisons Phenix	228	+5
Matra S.A.	1,805	+4
Michelin B.	936	+6
Midi (Cie)	2,540	+7
Moet-Hennessy	1,885	+66
Moulinex	99.9	—1.6
Nord Est	87.5	+1.2
Pernod Ricard	707	+1
Perrier	537	+4
Petroles Fra	869.2	+6.5
Peugeot S.A.	343	....
Printempt Aus	231.9	+2.1
Radiotech	268	+9
Redoute	1,571	+8
Roussel-Uclaf	1,779	+39
Sefimeg	358	+3
Skis Rossignol	1,580xc	+30
Telemech Elect	2,665	—118
Thomson CSF	541	—2
Valeo	217	—19

GERMANY

May 13	Price Dm.	+ or —
AEG-Telef	117.7	—0.5
Allianz Vers	1252xr	+10
BASF	206.1	+1.4
Bayer	216.1	+2.3
Bayer-Hypo	341	+8
Bayer-Verein	365xd	+2.5
BHF-Bank	267.2	+8.2
BMW	372.5	—0.8
Brown Boveri	211.5	—0.3
Commerzbank	180.2	+2.2
Cont'l. Gummi	162.2	+0.2
Daimler-Benz.	599	+3
Degussa	350.8	+1.3
D'sche Babcock	163	+0.5
Deutsche Bank	479	+7
Dresdner Bank	221.4xd	+5.1
GHH	147.5	+0.3
Hochtief	475	+0.5
Hoechst	215.8	+5.5
Hoesch Werke	108.8	+0.1
Holzmann (P)	431.5	+1
Horten	169	—1
Hussel	292.5	+2.8
Karstadt	227	+0.8
Kaufhof	220	+2
KHD	248.3	—1
Kloeckner	79	+0.5
Linde	427	+3
Lufthansa	189.8	+1.5
MAN	143.5	+1.8
Mannesmann	158	+0.5
Mercedes Hld.	511	+6.5
Metallgesel	250.5	—1.9
Munsch Rueck	1,380	+10
Nixdorf	588	+1.5
Porsche	1190	+1.8
Preussag	272	....
Rhein West Elect	157.6	+1.5
Rosenthal	256	—0.8
Schering	442	....
Siemens	544	—0.2
Thyssen	102.9	+2
Varta	186.6	+0.8
Veba	183.7	+3.2
V.E.W.	229	+0.2
Verein-West	313	+2
Volkswagen	226.3	+0.8

ITALY

May 13	Price Lire	+ or —
Banco Com'le	18,000	+600
Bastogi-IRBS	206	—6.7
C.I.-Invest	3,405	+46
Centrale	3,060	+59
Credito Varesino	3,960	+60
Fiat	3,031	+46
Finsider	84	+4
Generali Assicur.	44,900	+500
Italcementi	21,200	+330
La Rinascente	707	+15
Montedison	1,833	+83
Olivetti	6,290	—5
Pirelli Co	3,969	+76
Pirelli Spa	2,352	....
Snia BPD	2,691	+35
Toro Assic	14,260	+260
do Pref	10,599	+209

NETHERLANDS

May 13	Price Fls	+ or —
ACF Holding	204	—3
AEGON	190	+1
Ahold	222.8	+0.8
AKZO	107.6	—0.2
ABN	429.5	—1.0
AMEV	242	+0.2
AMRO	73.4	—0.1
Bredero Cert	161	—2.8
Bos Kalis Westm	15.9	....
Buehrmann-Tet	95.2	+6.2
Calland Hldgs	57.2	+0.2
Dordtsche Pet'm	182	—1.4
Elsevier NDU	123.8	+2.7
Fokker	124	—6.1
Gist Brocades	183.3	+0.8
Heineken	151	+0.1
Hoogovens	62	+0.2
Int Mueller	60.5	+0.2
KLM	60.5	+0.2
Naarden	51.9	+0.4
Nat Ned Cert	66.4	—0.7
Ned M'd Bank	168.3	—0.7
Nedlloyd	172.5	—0.5
Oce Grinten	318	—0.5
Ommeren (Van)	28.8	—0.2
Pakhoed	63	+0.2
Philips	55	+0.8
Robeco	75.5	+0.2
Rodamco	138.5	—0.5
Rolinco	68.2	—0.1
Rorento	48.1	+0.1
Royal Dutch	600.6	—2.6
Unilever	353.6	+2
VMF Stork	128	+3
VNU	214	+2.5
West Utr Bank	94.3	....

NORWAY

May. 13	Price Kroner	+ or —
Bergens Bank	148.5	+0.5
Borregaard	378	+7.8
Christiania Bank	141	....
Den Norske Cred	140	—1
Elkem	142.8	—1
Kvaerner	183	+1
Norsk Data	408	—1
Norsk Hydro	112	+3.5
Storebrand	280.5	—2.5

SPAIN

May 13	Price Pts%	+ or —
Bco Bilbao	344	....
Bco Central	322	—8
Bco Exterior	202	....
Bco Hispano	164	....
Bco Popular	366	+1
Bco Santander	361	+1
Dragados	166	—0.5
Hidrola	86	+0.3
Iberduero	96.2	+1
Petroleos	156.7	+1.7
Telefonica	122.2	—1.5

SWEDEN

May 13	Price Kronor	+ or —
AGA	406	—15
Alfa-Laval	192	—5
ASEA (Free)	338	....
Astra (Free)	460	—5
Atlas Copco	111	—4
Cardo (Free)	350	—6
Cellulosa	117	—6
Electrolux B	314	—4
Ericsson	288	—1
Esselte	386	....
Mo och Domsjo	262	—12
Pharmacia	128	—7
Saab Scania Free	483	....
Sandvik	410	+10
Skandia	319	—10
Skan Enski'da	45.5	—0.5
SKF	221	—7
St Kopparbergs	144	—6
Sven Handlesbn	151	—2
Swedish Match	212	—6
Volvo B (Free)	252	—8

SWITZERLAND

May 13	Price Frs.	+ or —
Alusuisse	804	—1
Bank Leu	3,620	+20
Brown Boveri	1,630	....
Ciba Geigy	3,095	+13
do. (Part Certs)	2,450	+20
Credit Suisse	2,863	+30
Elektrowatt	2,790	....
Fisher (Geo.)	780	....
Hoff-Roche PtCts	83,250	—750
Hoff-Roche 1/10	8,325	—50
Jacobs Suchard	6,750xr	—40
Jelmoli	1,990	+5
Landis & Gyr	1,650	—10
Nestle	6,700	+40
Oer-Buehrle	1,445	+20
Pirelli	335	+8
Sandoz (Br)	8,000	—68
Sandoz (PtCts)	1,400	—10
Schindler (PtCts)	830	+20
Sika	1,150	+10
Surveillance	4,430	+20
Swissair	1,105	+5
Swiss Bank	326	+1
Swiss Reinsce	11,900	+700
Swiss Volksbk	1,600	....
Union Bank	3,775	+28
Winterthur	4,180	—50
Zurich Ins	26,500	—150

AUSTRALIA

May. 13	Price Aust $	+ or —
ANZ Group	4.9	+0.1
Alliance Oil Dev.	1.05	....
Ampol Pet	1.82	....
Ashton	0.95	+0.03
Aust. Cons. Ind.	2.24	....
Aust. Guarantee	2.45	....
Aust. Nat. Inds	2.88	+0.03
APM	2.85	....
Bell Group	7.14	....
Bell Res	7.2	+0.1
Bond Corp Hldgs	1.56	....
Boral	3.22	+0.02
Bougainville	2.86	+0.05
Brambles Inds	3.95	+0.03
Bridge Oil	2.45	—0.03
B.H. Prop	6.62xa	+0.13
CRA	6.6	+0.2
CSR	2.94	+0.7
CastlemaineTys.	5.34	+0.04
Coles (G.J.)	3.78	+0.05
Comalco "A"	2.4	+0.05
Consolidated Pet	0.45	....
Costain Aust	1.6	....
Dunlop Olympic	2.28	+0.01
Elders IXL	3.02	....
Energ Res.	1.46	—0.02

AUSTRALIA (continued)

May 13	Price Aust.$	+ or —
Gen. Pro. Trust	2.28	....
Hardie (James)	3.22	....
Hartogen Energy	3.25	—0.11
Herald W'ylimes	4.63	....
ICI Aust	2.06	+0.01
Jimberlana F.P.	0.39	....
Kia Ora Gold	0.18	+0.01
Land Lease	3.74	+0.08
MIM	3.42	+0.04
Mayne Nickless	3.3	....
Myer Emporium	1.65	+0.02
Nat. Aust. Bank	4.10	+0.06
News	7.7xc	—0.4
Nicholas Kiwi	1.02	....
North Bkn. Hill	2.75	+0.06
Oakbridge	1	+0.02
Pancont'l	1.9	+0.05
Pioneer Conc	1.74	+0.04
Poseidon	4.4	+0.12
Queensland Coal	1.8	—0.02
Reckitt & Coln	3.8	....
Repco	1.23	—0.01
Santos	5.16	—0.02
Smith (Howard)	4.7	....
Thos. Natwide	1.22	+0.02
Tooth	5.8	....
Vamgas	4.3	+0.1
Western Mining	4.38	+0.08
Westpac Bank	4.1	+0.12
Woodside Petrol	1.3	....
Woolworths	3.1	—0.02
Wormald Intl.	3.56	+0.01

HONG KONG

May 13	Price H.K.$	+ or —
Bank East Asia	26.7	+1.5
Cheung Kong	17.2	—0.1
China Light	15.8	+0.2
Evergo	0.63	—0.05
Hang Seng Bank	52	+2
HK Electric	8.6	+0.05
HK Kowloon Wh.	6.6	....
HK Land	8.05	+0.1
HK Shanghai Bk.	8.55xa	....
HK Telephone	81	+8
Hutchinson Wpa	24.8	+0.1
Jardine Math	11.8	....
New World Dev.	7.5	....
Orient O'seas	3.2	....
Orient O'seas ... Bk	5.26	+0.05
SHK Props	12.8	....
Shell Elect	1.31	....
Swire Pac A	24.8	....
TV—B	6.8	—0.1
Wheel'k Mard A.	7.8	....
Wheel'k M'time	1.10	....
World Int. Hldns.	2.2	....

JAPAN

May 13	Price Yen	+ or —
Ajinomoto	1,080	—10
Alps Electric	1,790	....
Amada	1,030	—10
Asahi Chem	930	—4
Asahi Glass	880	....
Bridgestone	518	—11
Canon	1,240	....
Casio Comp	1,650	+30
Chugai Pharm	1,050	—10
Citizen	514	—6
Daiei	875	....
Dai Nippon Ptg	1,020	+20
Daiwa House	607	+22
Ebara	434	+2
Eisai	1,440	—40
Fanuc	6570xr	....
Fuji Bank	1,560	....
Fuji Film	1,720	....
Fujisawa	990	—8
Fujitsu	1,160	+10
Green Cross	2,760	+10
Hasegawa	395	+8
Heiwa Real Est	918	—25
Hitachi	785	—8
Hitachi Credit	1,180	+302
Honda	1,350	+10
House Food	720	—8
Hoya	2,160	....
Itoh (C)	370	—11
Ito. Yokado	2,600	+70
Iwatsu	985	—8
JACCS	528	+8
JAL	6,840	—80
Jusco	781	+22
Kajima	309	—1
Kao Soap	813	+11
Kashiyama	658	—2
Kirin	676	+11
Kokuyo	921	+11
Komatsu	436	+1
Konishiroku	674	—1
Kubota	341	—5
Kumagai	518	—5
Kyoto Ceramic	4,600	—300
Maeda Const	605	+5
Makino Milling	1,220	....
Makita	1,010	....
Marubeni	306	+3
Marudai	570	+4
Marui	1,130	+60
MEI	1,490	+10
M'ta Elec Works	778	+45
M'bishi Bank	1,490	—70
M'bishi	521	—2
M'bishi Elect	363	—1
M'bishi Estate	870	+17

JAPAN (continued)

May. 13	Price Yen	+ or —
MHI	264	+1
Mitsui	340	—1
Mitsui Estate	717xc	+3
Mitsukoshi	380	+12
NGK Insulators	885xc	+15
Nihon Cement	282	+6
Nippon Denso	1,340	+10
Nippon Elect	1,070	+10
Nippon Express	364	+3
Nippon Gakki	1,720	+40
Nippon Kokan	133	—1
Nippon Oil	866xc	—3
Nippon Seiko	581	....
Nippon Shimpan	585	+10
Nippon Steel	144	—2
Nippon Suisan	342	—1
NTV	10150xc	+150
Nippon Yusen	253xc	+2
Nissan Motor	617	—1
Nisshin Flour	501	—19
Nisshin Steel	162	—1
Nomura	1,100	....
Olympus	1,150	—60
Orient Leasing	2,500	+20
Pioneer	2,060	—80
Renown	652	+8
Ricoh	224	—5
Sankyo	1,130	....
Sanyo Elect	482	—3
Sapporo	452	—3
Sekisui Prefab	640	+8
Seven-Eleven	6,190	—50
Sharp	973	—7
Shimadzu	778xc	—18
Shionogi	732xc	+1
Shiseido	1,160	—10
Sony	4,140	+70
Stanley	868	—1
S'tomo Bank	1,790	....
S'tomo Elect	865	+4
S'tomo Marine	620	—13
S'tomo Metal	144	....
Taihei Dengyo	486	+5
Taisei Corp	229	....
Taisho Pharm	1,170	+30
Takeda	870	—2
TDK	5,530	+30
Teijin	434	—8
Teikoku	784	—2
Tokio Marine	845	—5
TBS	795	+16
Tokyo Elect Pwr	1,790	—10
Tokyo Gas	123	+2
Tokyo Sanyo	664	—8
Tokyo Style	780	+3
Tokyu Corp	390	+4
Toppan Print	860	+4
Toray	463	—4
Toshiba Elect	378	—8
TOTO	685	+18
Toyo Seikan	896	....
Toyota Motor	1,290	....
Victor	1,850	+30
Wacoal	695	....
Yamaha	732	+1
Yamanouchi	3,000	+60
Yamazaki	662	+1
Yasuda Fire	460	—1
Yokogawa Bdgs.	460	+10

SINGAPORE

May. 13	Price $	+ or —
Boustead Hldgs	1.66	+0.01
Cold Storage	0.48	+0.02
DBS	6.2	+0.1
Genting	3.96	+0.1
Haw Par. Bros.	2.13	+0.02
Hong Leong Fin	2.94	+0.02
Inchcape Bhd.	2.38	—0.02
Keppel Shipyard	1.53	+0.01
Malay Banking	5.2	+0.05
Malay Utd. Ind	2.5	+0.01
Multi Purpose	0.94	....
OCBC	0	+0.05
OUB	3.68	+0.02
Public Bank	1.32	+0.02
Sime Darby	2	—0.01
Singapore Press	6.13	....
Straits Trdg.	4.59	....
Tat Lee Bk	2.72	+0.01
UOB	4.82	+0.02

SOUTH AFRICA

May. 13	Price Rand	+ or —
Abercom	2.53	—0.02
AE&CI	8.00	+0.25
Allied Tech	32.0	—0.85
Anglo Am Coal	45.25	....
Anglo Am Corp	28.00	+0.75
Anglo Am Gold	178	....
Barclays Bank	18.0	+0.5
Barlow Rand	12	....
Buffels	82.50	+1.25
CNA Gallo	2.8	....
Currie Finance	4.0	....
De Beers	10.6	+0.1
Driefontein	53.0	+2.75
FS Geduld	64	—2
Gold Fields SA	35.25	+1.00
Highveld Steel	8.95	....
Nedbank	13.35	+0.15
OK Bazaars	18.75	....
Protea Hldgs	1.95	....
Rembrandt	37	....
Rust Plat	17.10	+0.45
Safren	15.25	....
Sage Hldgs	9	....
SA Brews	7.85	+0.15
Smith (AG)	24	....
Tongaat Hulet	7.1	....
Unisec	5.25	....

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm May 13

Total sales 6,878,512 shares

MONTREAL

Closing prices May 10

Total Sales 2,095,160 shares

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Tr 3% 1987	£88	+ ½
Tr 12½% 1993	£109¾	+ ½
Tr 2pc IL 1996	£110¾	+ ⅝
BOC	291	+ 7
Brit Aero	436	+16
Brit Tar Prods	103	+10
Burmah Oil	300	+44
Caled Offs	490	+45
Clive Disc	65	+ 7
Debenhams	328	+11
Fine Art Devs.	95	+10
French Kier	149xd	+19½
Glass Glover	278	+13
Grand Met	310	+10
GKN	239	+ 7
Gulf Res	70	+10
Heath (CE)	583	+28
Hill Samuel	292	+17
Hogg Robinson	294	+14
Lucas Inds.	281	+11
Pentland Inds.	948xd	+45
Racal Elects	188	+ 6
Readicut Int'l	33	+ 4
Sears Hldgs	94	+ 6
Sheffield Brick	20	+ 8
Stead & Simpson	208	+18
Textured Jers	89	+ 7
Vosper	266	+12
Whim Creek	182	+ 8

FALLS

Diploma	203	—25

Continued on Page 50

AMERICAN STOCK EXCHANGE PRICES

Continued from Page 41

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Success of BAe offer generates market euphoria

FT-SE index hits record high

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 29	May 9	May 10	May 20
May 13	May 30	May 31	June 10
June 3	June 13	June 14	June 24

* "New-time" dealings may take place from 9.30 am two business days earlier.

The success of the British Aerospace offer sent a wave of confidence through London stock markets. During opening dealings of the new three-week trading Account yesterday, the FT-SE 100 share index rose to an all-time record and the FT Ordinary share index moved to within 8 points of its best-ever level. Government stocks, which less than a week ago were knocked down by unexpectedly bad UK money supply figures, joined in the celebrations.

Other contributary factors to the strength of London share and bond markets were last Friday's euphoric tone on Wall Street. The Dow Jones index sharply extended the previous session's advance and U.S. bonds responded strongly to hopes of lower short-term interest rates as the U.S. Senate voted in favour of a Budget-cutting package. The subsequent revived weakness in the dollar put sterling up to $1.2540 yesterday.

The firmness of the exchange rate suppressed demand for international stocks but encouraged fresh institutional inquiries for many other leading shares. Stock shortages became increasingly apparent, accelerating the rise in prices as pressure was exerted on dealers' book positions. News of good corporate trading results from industry leaders together with aggressive speculative enthusiasm for selected issues supported the buoyant trend.

A late-afternoon attempt to get blue chip stocks away from the highest levels was abandoned and in the after-hours' trade the tone was even stronger. The upshot was that the FT Ordinary index closed up 15 points, the largest gain since January 30, at 1,016.9 and the FT-SE 100 share index 17.2 higher at 1,333.0. Top takeover target Debenhams was edged aside as Burmah Oil took over the mantle on Press reports that Heron International would make an offer following abortive discussions with the oil company.

Government securities continued to regain composure with the rising pound. Overseas buyers concentrated on medium life stocks, while domestic investors favoured longer-dated issues. The authorities were tested for supplies and sold the remainder of the Exchequer 10¼ per cent 1995 taplet at 95¼. Supplies of Exchequer 12¼ per cent 1990 were also exhausted at 103¾, after the Government broker had furnished stock at 103¼. At the end of the session, conventional and index-linked Gilts alike showed gains ranging to ¼.

Clearing banks began the new trading Account impressively. NatWest led the way with a rise of 20 to 685p following news of the proposed $1bn floating rate note issue. Barclays advanced 12 to 395p and Lloyds 10 to 605p, while Midland improved a few pence to 365p. Discount Houses were stimulated by revived merger hopes and Clive jumped 7 to 65p, while Smith St Aubyn put on 4 to 62p; the latter's preliminary results are scheduled for tomorrow. Cater Allen firmed 15 to 515p as did Union, to 705p. Among merchant banks, Hill Samuel featured with a speculative gain of 17 to 292p on talk of an imminent broker's circular. Hambros improved 10 to 155p.

Lloyd's Brokers were outstanding in a firm Insurance sector. Awaiting further news of the merger discussions, Hogg Robinson advanced 14 to 294p and C. E. Heath 26 to 583p. Sedgwick appreciated 17 to 375p and Willis Faber moved up 22 to 667p, while Minet rose 10½ to 237p xd. Composites also fared well with General Accident 14 higher at 610p xd awaiting today's first-quarter figures. Commercial Union, with quarterly results scheduled for tomorrow, put on 6 to 226p.

A lively two-way business developed among leading Breweries ahead of the forthcoming dividend season. Bass attained a new peak of 555p before settling a net 8 higher at 553p. Whitbread "A" rose 4 more to 212p; the respective interim and preliminary results are scheduled for Wednesday week.

Leading Building issues made good headway and closed at the day's best. Tarmac were prominent at 550p xd, up 16, while Redland, 298p, and RMC, 374p, both rose 8. Contracting and Construction issues were highlighted by French Kier which jumped 19½ to 149p xd on news that Trafalgar House had acquired AMEC's 14.8 per cent stake for £9.85m cash: AMEC hardened 3 to 247p. Higgs and Hill gained 15 more to 353p on thoughts that Trafalgar House may still launch a bid, but Tysons (Contractors) shed 3 to 43p following poor annual results. Timber issues displayed several notable gains. John Carr (Doncaster) firmed 4 to 88p pending the outcome of merger negotiations, while Phoenix continued to attract speculative interest and put on 8 more to 140p. Magnet and Southerns were also supported and rose 10 to 142p. Elsewhere, Sheffield Brick spurted 8 to 20p, after 21p, following Press comment highlighting the company's prospects.

Among Chemicals, British Tar Products rose 10 to 109p in response to favourable Press comment.

Debenhams up again

The chairman's report that Debenhams would repel any hostile takeover bid through a £600m plus management buy-out fuelled renewed speculative buying of Britain's second-largest department store and the price advanced steadily to close 11 higher at a new 1985 peak of 328p. Other leading retailers pressed forward on selective demand. Sears closed 6 higher at 94p following comment ahead of today's preliminary figures, while Marks and Spencer put on 5½ to 143p xd and British Home 11 to 307p. Secondary issues were featured by Stead and Simpson "A" which jumped 18 to 208p on talk of a bid from Ward White, which already owns a near-30 per cent stake in the company; WW ended 8 better at 290p. Lanca, still reflecting the sizeable stake recently taken in the group by Corporate Developments, jumped 35 afresh to 380p, while Fine Art Development improved 10 to 95p in response to Press comment. Foster Bros gained 14 to 240p, and improvements of 6 and 9 respectively were seen in W. H. Smith "A," 226p, and Goldsmiths, 234p.

British Telecom continued to highlight the Electrical sector, advancing 7 more to 164p in further response to the Mitel deal. Still reflecting PABX competition fears, other leading issues opened lower but recovered to close a few pence better on balance. Racal, unsettled last Friday by U.S. defence cut worries, picked up 6 at 188p. Cable and Wireless were in demand and closed 25 higher at 600p, while International Signal, helped by Press mention, improved 8 to 325p. A late flurry of speculative activity left Telephone Rentals 26 higher at 225p, while Molynx advanced 6 more to 61p xd on good preliminary figures.

Leading Engineerings passed a relatively quiet session, although GKN attracted occasional demand following the chairman's statement at the annual meeting to close 7 firmer at 239p. Elsewhere, R. Cartwright rose 6 to 180p after the company's rejection of the bid from Henderson Group. Delta were good at 155p xd, up 6½, following the full report, while Vosper, still reflecting nationalisation compensation hopes, put on 12 to 266p. Sporadic demand lifted Baker Perkins 8 to 203p and Spear and Jackson 6 to 140p.

Recently-overlooked Kwik Save revived and closed 8 higher at 196p, while Associated Dairies, a dull market last Friday, rallied 4 to 154p. The acquisition of Louis Reece, a fresh fruit wholesaler, for £2.5m drew attention to Glass Glover which gained 13 to 278p.

A brisk business developed in Grand Metropolitan ahead of tomorrow's interim results and the close was 10 higher at 310p. Trusthouse Forte firmed 4 to 154p and Ladbroke rose 10 to 270p, the latter on Press comment.

BOC improve

Miscellaneous industrial leaders made a firm showing. BOC, reflecting good interim figures, advanced to 297p before settling 7 higher at 291p, while Glaxo, helped by news of the joint drug deal with Tanabe Seiyaku of Japan, improved ¼ to £12. Boots were noteworthy for a rise of 8 to 193p along with Pilkington Brothers, 15 to the good at 295p. BTR gained 14 to 744p, while Unilever gained ¼ to £11¾ following satisfactory first-quarter figures. Elsewhere, British Aerospace were good at 436p, up 18, following the success of the offer-for-sale. Pentland Industries continued to attract buyers and put on 45 more to 948p xd, but Diploma contrasted with a fall of 25 to 203p after a disappointing interim statement. Weekend Press mention enlivened interest in Morgan Crucible, 6 higher at 230p, and in E. Fogarty, 4 dearer at 90p. Metal Closures, an old takeover chestnut, advanced 12 to 156p, while renewed support lifted Sangers 7 to 74p.

Lucas Industries returned to prominence in Motors with a gain of 11 to 281p following revived institutional support.

Leading Properties took a firmer stance, although the volume of business was described as moderate. Land Securities rose 6 to 311p awaiting today's annual results, while MEPC, interim statement due at the end of the month, moved up 7 to 312p. Great Portland Estates were a firm market at 156p, up 6. Stock Conversion rose 10 to 505p and London and Provincial Shop Centres 16 to 304p, but C. H. Beazer shed 6 to 400p, after 398p, following news of the £20m rights issue proposal.

Milford Docks, recently strong on Press speculation that Mr Ian Cochran's Thames Shiprepair concern will be moved from Chatham to Milford Haven, found renewed support and closed 6 better at 80p.

A few firm features emerged in Textiles. Readicut rose 4 to 33p, after 33½p, in response to the better-than-expected annual results, while Textured Jersey advanced 7 to 89p on an investment recommendation. Carpets International improved a few pence to 72½p following revived talk of an imminent bid.

Burmah buoyant

The spotlight in Oils was firmly fixed on Burmah following news of Heron International's bid approach; Burmah moved ahead strongly from a higher opening level of 290p and, in heavy trading, touched 304p prior to closing a net 44 higher on the day at 300p. Other Oils were completely overshadowed as crude price uncertainties deterred buyers. British Petroleum, first quarter figures due on Thursday, fluctuated narrowly before closing unchanged at 540p. Shell, however, encountered U.S. selling and settled 10 off at 700p. Elsewhere, bid speculation continued to boost Caledonian Offshore, up 45 more at 490p in a restricted market, but profit-taking clipped 8 from recent favourite Highland Participants, at 317p. Gulfstream, which touched 90p at one stage last week amid rumours that the company had sold its Middle Eastern exploration interests, attracted fresh demand and rose 10 to 70p.

McLeod Russel continued firmly in Plantations, rising 16 afresh to a 1985 peak of 317p.

Golds rise afresh

Proceedings in mining markets were again dominated by currency considerations. The relative weakness of the dollar stimulated sporadic support of top-quality South African Golds from major international centres, particularly the U.S., but price gains were often exacerbated by stock shortages.

Operators were encouraged during the afternoon as bullion put up its best showing for a considerable period to close slightly below the best at $322.25 an ounce for an advance of $7.73.

Gains in sterling terms, however, proved to be of a smaller magnitude reflecting the pound's upturn against the dollar. Randfontein fared best, rising 2¾ to £89, but improvements among other heavyweight Golds were generally confined to under a point. The FT Gold Mines index closed 3.2 up at 497.1 — the fourth consecutive improvement.

London-domiciled Financials went firmer in sympathy with the bullion price, although dealers again described business as "slow." Consolidated Gold Fields featured with a gain of 15 to 560p.

Australian mining stocks advanced across a broad front as London mirrored the strong tone in overnight Sydney and Melbourne markets. Golds provided the more outstanding features with Gold Mines of Kalgoorlie 30 up at 560p, Central Norseman, 20 better at 498p, and Whim Creek, 8 higher at 182p. Among the more speculative stocks, Sons of Gwalia hardened 4 more to 114p, as did Australian Consolidated Minerals, to 91p.

Increased turnover in London equities yesterday boosted volume in Traded Options. Business in puts showed the largest expansion and contributed 4,136 contracts to a total of 8,774—well above last week's daily average of 5,489.

FINANCIAL TIMES STOCK INDICES

	May 13	May 10	May 9	May 8	May 7	May 3	year ago
Government Secs.	80.61	80.30	80.06	80.08	80.56	81.10	79.63
Fixed Interest	85.52	†85.51	85.32	85.63	85.70	85.76	84.50
Ordinary	1016.9	1001.9	991.1	988.5	985.8	989.9	874.0
Gold Mines	497.1	493.9	491.6	478.5	470.4	483.3	597.8
Ord. Div. Yield	4.50	4.56	4.60	4.61	4.63	4.61	4.46
Earnings, Yld.% (full)	11.28	11.46	11.57	11.56	11.65	11.57	10.37
P/E Ratio (net) (*)	10.80	10.64	10.53	10.51	10.47	10.58	11.61
Total bargains (Est.)	27,877	27,636	24,896	24,619	26,680	24,166	25,057
Equity turnover £m.	—	514.46	397.49	346.69	361.58	353.24	249.32
Equity bargains	—	21,246	26,866	21,863	22,064	20,571	21,054
Shares traded (ml)	—	226.7	617.2	160.0	176.5	170.4	161.4

10 am 1006.7. 11 am 1009.5. Noon 1011.4. 1 pm 1014.4. 2 pm 1015.1. 3 pm 1014.4.

Basis 100 Govt. Secs. 15/1/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 10.48.

† Corrected figures.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.00 (18/4)	78.02 (28/1)	127.4 (9/1/35)	49.12 (3/1/75)
Fixed Int.	86.16 (22/4)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.6 (22/1)	288.7 (8/1)	1024.6 (22/1/85)	49.4 (26/6/40)
Gold Mines	636.6 (15/4)	439.5 (28/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	May 10	May 6
Daily Gilt Edged Bargains	146.1	139.0
Equities Bargains	176.3	†141.2
Equities Value	1039.8	805.4
5-day Average Gilt Edged Bargains	148.7	137.6
Equities Bargains	148.6	148.4
Equities Value	789.7	762.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (135)

BRITISH FUNDS (4)
AMERICANS (1)
BANKS (1)
BREWERS (2)
BUILDINGS (3)
CHEMICALS (4)
DRAPERY & STORES (13)
ELECTRICALS (18)
ENGINEERING (10)
FOODS (3)
INDUSTRIALS (18)
INSURANCE (7)
LEISURE (2)
MOTORS (5)
NEWSPAPERS (2)
PAPER (1)
PROPERTY (11)
TEXTILES (4)
TRUSTS (12)
OILS (5)
PLANTATIONS (1)
MINES (9)

NEW LOWS (25)

AMERICANS (2)
Amax — TRW Inc
Imatron Inc
CANADIANS (1)
Royal Bank of Canada
BUILDINGS (2)
Tarrif Corp — Warrington (Th)
CHEMICALS (1)
Coates Bros A NV
ELECTRICALS (4)
MK Electric — Oceonics
MMT Computing — Quest Automation
ENGINEERING (3)
Ash & Lacy — Victor Products
Bailey (C. H.)
INDUSTRIALS (3)
Dalgety — Kean & Scott
Davies & Newman
PAPER (1)
Geers Gross
PROPERTY (1)
Laing 8¼pcLn 2000-05
TEXTILES (2)
Lyles (S.) — Nottingham Manu
TRUSTS (1)
Altifund Inc
OILS (2)
Bristol Oil Minerals — New Court Nat Res
MINES (1)
Wit Nigel

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
Pentland Inds	46	905	+115
Falcon Res	36	370	+30
Debenhams	27	317	+2
Combined Tech	24	76	+2
Vickers	22	338	+18
Barker & Dobson	20	12	+1½
Burmah Oil	20	256	+1
Wire & Plastic	19	87	+19
Comm Union	18	220	+5
Imperial Group	18	189	+8
Thorn EMI	17	436	—
Westland	17	149	+5
ICI	16	765	+2
STC	16	188	−14

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BOC	291	+7
Brit Aerospace	436	+18
Brit Home Stores	307xd	+11
Burmah Oil	300	+44
Caledonian Offshore	490	+45
Dataserv	150	+18
French Kier	149xd	+19½
Heath (C. E.)	583	+26
Hogg Robinson	294	+14
Pentland Inds	948xd	+45
Readicut	33	+4
Tarmac	550xd	+16

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon May 13 1985: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Fri May 10 Index No.	Thur May 9 Index No.	Wed May 8 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (208)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (63)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (177)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Newspapers, Publishing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (96)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (52)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (114)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (106)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (738)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX	1333.0	+17.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon May 13	Day's change %	Fri May 10	xd adj. today	xd adj. 1985 to date
British Government					
1 5 years	116.66	+0.25	116.37	—	4.52
2 5-15 years	127.68	+0.35	127.23	—	5.87
3 Over 15 years	134.48	+0.48	133.84	—	5.47
4 Irredeemables	143.47	+0.80	142.34	—	[illegible]
5 All stocks	126.59	+0.33	126.17	—	4.78
6 Debentures & Loans	107.50	+0.57	107.73	0.84	5.06
7 Preference	77.88	−0.13	78.55	0.62	3.61
BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8 All stocks	110.12	+0.32	109.77	—	1.83

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 7	May 17	Aug 8	Aug 19
May 20	June 7	Aug 29	Sept 9
June 10	June 21	Sept 12	Sept 23

For rate indications see end of Share Information Service

Money was given for the call of Britannia Arrow, C. H. Bailey, Polly Peck, Debenhams, Barker and Dobson, Hillsdown, Falcon Resources, Charterhall, Marks and Spencer, Energy Capital, Southwest Resources, Belhaven, Sheraton Securities, Boots, Sangers, CPU Computers and Birnaid Qualcast. No puts were reported, but a double option was taken out in Clive Discount.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	103	2	9
Corpns, Dom. and Foreign Bonds	14	2	59
Industrials	472	206	786
Fin. and Props.	229	52	267
Oils	36	7	46
Plantations	7	0	6
Mines	74	21	39
Others	83	73	72
Totals	1,023	362	1,330

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 16,544

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

[illegible]

May 13. Total contracts 8,774 Calls 4,638 Puts 4,136. * Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100⅞	99½	Treas 11¼pc 1985	99⅝	.....	11.59	12.69
98⅞	97¼	Treas 8¼pcCnv '85	98¼	.....	8.86	12.65
101⅞	99⅞	Exch. 12¼pc 1985	100xd	+⅛	12.25	12.19
101⅞	99⅞	Exch. 11¼pc '86	99⅝	.....	11.77	11.90
99½	97⅞	Treas. 10pcCnv 1986	98⅜	+⅛	10.17	11.88
94⅞	92¼	Treas 3pc 1986	94⅞	+⅛	3.17	0.72
100	97½	Exch. 10½pc Cv '86	98⅞	+⅛	10.63	11.78
101¾	99¼	Treas 12pc 1986	100¼xd	+⅛	11.97	11.87
97⅞	94⅞	Treas 8¼pc 1984-86‡‡	96⅞	+⅛	8.79	11.56
105⅞	102⅞	Exch. 14pc 1986	102⅞	+⅛	13.60	11.72
91⅞	87¼	Exch. 2½pc 1986	91⅞xd	+⅛	2.72	8.33
104⅞	103¼	Exch. 13¼pc 1987	102¼	+⅛	12.96	11.70
98½	96¼	Treas 10¼pcCv '87	97⅞	+⅛	10.48	11.63
90	85½	Exch 2½pc 1987	89⅞	+⅛	2.79	8.90
99⅞	96¼	Exch. 10½pc 1987	98¼	+⅛	10.69	11.32
93	89	Funding 6½pc '85-87‡‡	92⅞	+⅛	7.04	10.91
98½	95½	Treas. 10pc 1987	97⅛	+⅛	10.30	11.66
88	84½	Treas 3pc 1987	88	+½	3.41	9.22
102¾	99¼	Treas. 12pc 1987	100¼	+⅛	11.91	11.61

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1985 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
22⅞	16¼	Amer Medical Int $1	20½	–1⅛	60c	—	2.3
59⅞	32	Amer Nat. Res. $1	51⅝	–⅞	†$1.41	—	2.1
20⅞	16¼	American T. & T. $1	17¼	–¼	$1.20	—	5.3
79⅞	64¾	Ameritech $1	68⅞	–⅛	$6.00	—	6.8
25	16	Amfac	20⅞	–½	$1.44	—	5.5
47p	29p	♦AridTech	41p		—	—	—
18½	15	Bankamerica $1.5	16⅝	+⅛	$1.52	—	7.2
60½	47	Bankers N.Y. $10	57⅛xd	+1⅛	$2.70	—	3.7
12¼	883p	BASIX Corp.	910p	–14	12c	—	—
80⅞	65½	Bell Atlantic $1	69	–⅛	$6.80	—	7.7
34⅞	28⅞	Bellsouth $1	30⅞	+⅛	$2.60	—	6.6
19⅞	13¼	♦Beth Steel $8	13⅞	–⅛	40c	—	2.4
24	16¼	Bowater Inc.	18¼	–⅛	72c	—	3.1
40½	31¼	Brown'g-Fer. 16⅔c	35¼	+1⅛	$1.08	—	2.4
37⅞	26¼	Brunswick Corpn.‡	28½	+¼	$1.00	—	2.8
525p	351p	♦Business Computer	400p	–13	—	—	—
39⅞	31¼	CPC Intnl. 25c	33½xd	.....	$2.20	—	5.2
25	18⅞	CSX Corp U.S $1.00	20	+⅛	$1.04	—	4.1
16⅞	13	CalFed Inc $1.00	15⅞xd	+⅛	32c	—	1.6
65⅞	52	Campbell Soup 60c	52⅞	–⅛	$2.50	—	3.7
31⅞	24⅞	Caterpillar Tractor‡	26xd	+⅛	50c	—	1.5
902p	680p	Cenergy Corp. 25c	790p	–12	1c	—	0.1
52⅞	40⅞	Chase M'hattan $12.5	45⅞xd	+⅛	$3.80	—	6.5
38⅞	29⅞	Chemical New York	33½	+⅛	$2.36	—	5.5
34½	25⅛	Chesebrough-Pond's $1	28⅞	–⅛	$1.92	—	5.2
32⅞	25⅞	Chrysler $6¼	28½	+⅛	$1.00	—	2.8
42⅞	32⅞	Citicorp $4	39	+⅛	$2.26	—	4.5
890p	820p	City Fed Fin. Corp.	890p	+27	040c	—	3.5
23½	19⅞	Colgate-P. $1	19⅞	–⅛	$1.28	—	5.1
57⅞	44	Colt Inds. $1	44	–½	$2.50	—	4.5
155p	43½p	Cont Illinois Hldgs $1	50p	–31	—	—	—
230p	100p	♦Corporate Data Scnce.	210p	+1	—	—	—
36⅞	28⅞	Crown Zell. $5	33½	–⅛	$1.00	—	2.3
44⅞	20⅞	Cullinet Sftwr $0.1	23⅞	+1¼	—	—	—
50bp	304p	Damson Oil 40c	360p	+25	—	—	—
29	21½	Dana Corp. $1	21⅞	+⅛	$1.28	—	4.6
67	22⅞	Data General	31¼	+⅛	—	—	—
77p	28p	♦Derma-Lock Medicl	28p		—	—	—
67	54⅞	Dun & Bradstreet $1	60¼	+1	$1.88	—	2.4
55½	39⅞	Eaton Corpn. 50c	41⅞xd	–⅛	$1.20	—	2.3

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
350	140	Centenary Inv...	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
120	70	Colby Res Corp.	75	.....	—	—	—
550	450	Cons. Murch. 10c	450	.....	†Q100c	1.4	10.8
40	28	Ennex Int. Ir10p	34	.....	—	—	—
117	73	Greenwich Res. Inc.	90	+3	—	—	—
215	157	Hampton Areas 10p	197	+2	3.75	2.1	2.6
260	160	Highwood Res.	177	+2	—	—	—
£22½	£18	Homestake Mining $1	£19⅝	−⅛	Q20c	—	0.8
310	190	McFinley Red Lake	260	−5	—	—	—
300	195	Musto Explorations	260	−2	—	—	—
55	23	New Sabina Res C$1	45	−2	—	—	—
375	260	Northgate C$1	335	+10	—	—	—
685	581	RTZ	622xd	−1½	20.0	2.7	4.6
£146½	£129	Do. 9½pcLn '95-2000	£133xd	−4	Q9½%	14.0	(7.3)
£13⅞	£10	Tara Expon $1	£13⅞	+⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ¶ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ƒƒ Dealt in under Rule 535(3).
- ƒ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ƒƒ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other offical estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	100	.....	Arnott	260xd	−9
Craig & Rose £1	£9	.....	CPI Hldgs.	90	.....
Finlay Pkg. 5p	59xd	−2	Carroll Inds.	118½	.....
Higsons Brew	157	+2	Dublin Gas	52	+1
Holt (Jos) 25p	750xd	+11	Hall (R. & H.)	55	.....
IoM Stm. £1	90	.....	Heiton Hldgs.	14	.....
IRISH			Irish Ropes	43	.....
Exch. 12% 1985	£100	.....	Jacob (W.& R.)	71xd	−1
Nat. 9¾% 84/89	£90	.....	Unidare	63	.....
Fin. 13% 97/02	£98¼	.....			

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse.of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	'Imps'	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	31	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen.	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	28	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds.	25	Brit. Oil & Min	◆
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat.West Bk.	60	Premier	5
Comm Union	19	P & O Dfd.	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord.	32	Cons Gold	44
Gen Accident	45	Reed Intnl	58	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met.	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

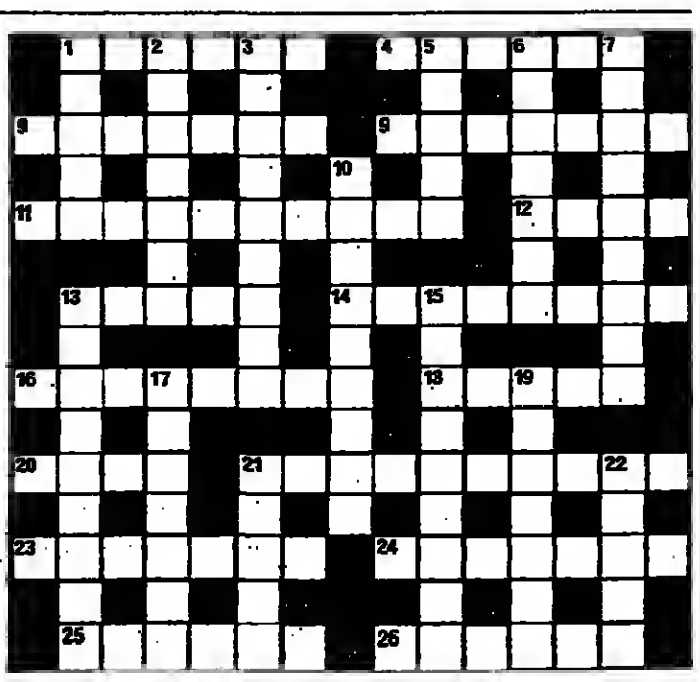
"Recent Issues" and "Rights" Page 43

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,717



ACROSS

1 Force a hundred mules to kick about (6)
4 A fellow out of condition (6)
8 Another case with spasm such as Diogenes (7)
9 Earl with son intoxicated by Italian port (7)
11 Thin spread commendable for miser (6-4)
12 Invalid carried back in cell under protest (4)
13 Initially, every lady envies my imitation fragrant substance (5)
14 Imbue a target area? (8)
16 Way Rover discovers a foreigner (9)
18 Change cockney rope (5)
20 Japanese writing some may think a natural style (4)
21 A hunter's part (9)
23 Gentle composer extremely loyal to Irish nationalist (7)
25 "No . . . , no vacations and diet unparalleled" (Dickens) (6)
26 It's painful so they say. (6)

DOWN

1 Greek character truly provides entertainment (5)
2 Notice part of paper carries leak (7)
3 Lion and tiger may be prowling with intent (9)
5 A parish district provides grant (5)
6 Help to rid of obstructions round Tyneside (7)
7 Intermediary, afterwards novelist (9)
10 Force into car with Senegal registration perhaps (9)
13 Separated possibly from one's horse! (9)
15 Convey delight (9)
17 Opposed to a good man accepting profit (7)
19 Wrong to surround chaps in anguish (7)
21 Henry turned up early to see game (5)
22 Nick observes style returning on way to church (5)

Solution to Puzzle No. 5,716

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.56	4.39	13.95	6mth
7-day Fnd	12.71	9.50	14.13	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Int	12.15	9.08	13.39	6-Mth
7-day Fund	12.55	9.38	13.84	6-Mth
Dollar	8.89	—	—	6-Mth
Money Mngt. Acct	12.00	—	—	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	12.50	9.34	14.03	Qtr
Mth. Int. Chq.	12.375	9.25	14.05	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	12.05	9.00	13.40	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.25	9.00	13.49	Qtr
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-558 2777				
Cater Allen	12.06	4.02	13.43	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.375	9.25	13.79	Mth
U.S. Dollar	8.00	6.98	8.30	Mth
German Marks	5.0	4.73	5.12	Mth
Swiss francs	3.00	1.50	2.02	Mth
Japanese Yen	5.00	3.74	5.12	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543 Ex 464				
£500-£2,500	11.0	8.22	12.11	Qtr
£2,500 +	13.00	9.72	14.40	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	12.75	9.53	14.37	Qtr
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	12.05	4.00	13.40	Mth
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	12.75	4.53	13.61	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51657				
H.I.C.A.	12.26	9.16	13.66	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	12.04	9.00	13.49	Qtr
Provincial Trust (formerly Cholartons) 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	13.00	9.72	10.80	Mth
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	12.04	9.00	13.45	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732247				
Demand Acc	12.35	9.24	13.85	Qtr
Money Acc	12.375	9.25	13.87	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	12.0	8.97	13.59	Mth
Over £10,000	12.25	9.16	13.90	Mth

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yield % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

Weak rubber market forecast

By Richard Mooney

THE NATURAL rubber supply/demand situation appears "unbealthy" in the short term, hut any fall in prices is not likely to be large, according to the latest market report from the United Baltic Corporation (UBC).

Demand from the U.S. is likely to remain poor, UBC oays. U.S. purchases slackened "alarmingly" over the past month following the settlement of a rubber workers' dispute whlch had threatened to result in e strike, it explaina. Manufacturer purchases ore likely to remain low as stocks accumulated against the possibility of a strike are run down. In Europe alEo it expects May will be a poor month due to arrivals during factory holidays.

The report points to two factors tending to limit any potential price decline, however. First the prospect of support buying on behalf of the International Natural Rubber Agreement (INRA) buffer otock, and second, recent "bear" oeotiment has left dealers short of material and consumers poorly covered.

The INRA moving average indicator price was fixed yesterday at 175.39 Malaysian cents a kilo, just below the 177 cents level at which the buffer stock manager may begin support buying. If the price drops below 166 cents he must buy.

"We suggest that downside potential is limited and that any decline will be ragged and punctuated by patches of strong covering which could extend into healthy rallies of 'shorts' begin to panic," the report says.

● The latest issue of the International Ruhber Study Group's statisticol bulletin puts the 1984 surplus of natural rubber production over consumption at 40,000 tonnes, unchanged from 1983. Production is estimated at 4.22m tonnes, up from 4.02m in 1983, and consumption ot 4.18m, up from 3.98m. In the same period, however, the synthetic rubber supply/demand balance is estimated to have switched from o 35,000 tonnes deficit to a 55,000 tonnes surplus.

Copper tumbles as persistent selling continues

BY JOHN EDWARDS, COMMODITIES EDITOR

THE CASH PRICE of higher grada copper tumbled hy £41 to £1,226.5 a tonne on the London Metal Exchange yesterday as the recent "squeeze" on immediately avoilable supplies eased further. The cash price premlum over the three months quotation, which reached more than £115 at one stage last week, was cut to only £16 yesterday. Traders said that although the rise in warehouse copper otocks was modest it was the first increase for a long time and persistent selling of casb copper from one quarter ln particular continued the stecp decline from last week's premium levels.

The market was also under pressure from the rise in the value of sterling against the dollar which was mainly responsible for depressing the three months qnotation hy £18 to £1,210.5.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending May 10)

	(tonnes)
Aluminium	+1,925 to 105,725
Copper	+2,575 to 85,375
Lead	−6,325 to 34,925
Nickel	+132 to 5,076
Tin	+155 to 20,685
Zinc	+3,975 to 39,925
	(ounces)
Silver	−440,000 to 52,234,000

A combination of rising warebouse stocks and higher sterling similarly affected the aluminium, nickel and zinc markets, which all lost ground. Cash zloc, wbich fell hy nearly £40 last week, lost a further £17 yesterday, losing its premium over the three months quotation. Steady speculotive selling again depressed the market.

The unexpectedly large fall in leod stocks reduced warehouse holdings to the lowest levels for five years. Nevertheless there was relatively little market reaction, with values still eoding the day sligbtly lower and with the cash price at a small discount.

Meanwhile a sustained rise in the price of copper, with the London Metal Exchange casb copper price reaching e record £1,500 a tonne, is forecast in the ninth issue of Metal & Economic Trends, released yesterdey by Amalgamated Metal Trading, in conjunction with Brook Hunt Associates.

The report says thst the continued decline in copper stocka is laying the necessary foundations for substantial price increases. The tightening ln availability of supplies first noticeable in the concentrates market early in 1983, has now extended to physical refined copper.

The report claims that the prospect of o slowdown in the U.S., or even, at worst, a recession and fall in refined copper consumption there by end-1985, is not inconsistent with the prospect of higher prices, since this is what hoppened in 1979-80. In the past two economic cycles the copper price took nearly three years from its trough to start a sustained rise. The trough of the current cycle occurred in August 1982, so a rise in copper prices was imminent, especially as stocks are far lower in this cycle than in the last.

This year total stocks are forecast to decline in the Western world by a further 215,000 tounes. Refined consumption is predicted to increase by 2.7 per cent to 7.5m tonnes after jumplng by 9.1 per cent to 7.3m tonnes last year—the fastest growth rate in a decade.

Refined production, which fell by 200,000 tonnes last year, is forecast to rise hy 367,000 tonnes this year, due to an increase of 175,000 tonnes in mine output and the halance from scrap.

The report also predicts higher prices this year for most other base metals, with the exception of tin. It expects zinc to advance strongly to reach an average of £787 o tonne (47.5 cents e lb) in the last quarter.

Tea price gains break downward trend

MEDIUM quality tea prices at yesterday's weekly London auction gained 5p to 155p a kilo, ending a run of 13 successive declines. Quality grade tea was unquoted again and low medium averaged 115p a kilo, unchanged from last week.

The Tea Brokers Association of London said the market remained weak for Assam teas, which lost 5p to 10p a kilo. But good quality East African typed met keen competition and rose 5p to 10p a kilo. Stronger support was also seen for Central African cut, tear and curl teas and for offshore offerings.

Only a limited quantity of Ceylons were offered and these fetched 2p to 5p a kilo less than at last week's sale.

The total offering amounted to 36,733 packages, including 6,600 in the offshore section.

● SHEARSON Lebman, a wholly-owned subsidiary of American Express is laying off some 60 employees in its commodities department, it was announced in New York.

The company said the lay-offs were concentrated in the traditional agricultural commodities and reflected tha changing conditions in the markets as e whole.

The cut in staff, confined mainly to junior emoloyees, follows the company's decision to close its trading operation at the MidAmerican Commodity Exchange.

Shearsons employs about 650 in its commodities department, which producea only e small part of the group's total turnover.

Trading in the traditional commodity futures has fallen sharply recently, reflecting underlying depressed conditions in most of the markets ond the tremendous growth of business in financial instrument contracts.

● Total 1985-86 European Community sugar output is forecast at 11.922m tonnes, based on average yields for the past three seasons, compared with 12.212m in 1984-85, London trader C. Czarnikow said in its monthly sugar market report.

Farmer's viewpoint by John Cherrington

Lean prospects for red meat

THE National Food Survey results for 1984 provide the most gloomy reading for a farmer like myself with a sizeable stake in red meat sales; at 12.88 oz a week consumption was down 7.8 per cent from 1983 with falls in all three sectors; beef, mutton and lamb and pork. The only growth areas were poultry and cooked chicken, up 3.6 per cent, and frozen convenience foods. The market was amply supplied compered with the year before, except for mutton and lamb. But so poor was UK demand that an increased quantity of sheep meat was exported, mainly to France. Cost cannot be hlamed for this as prices rose at about half the rate of inflation.

It does seem that there is a definite swing against the red meats, and, according to some exporters, it seems that there is a definite slackening in demand, particularly for beef, in the rest of the EEC. This was aggravated by the slaughter last year of quite e proportion of the cows and growing stock in the dairy sector after the imposition of milk qnotas. Intervention stocks of beef in the Community are in the region of 600,000 tonnes and their sale or threatened sale at subsidised prices is causing angry reactions from other meat exporters.

There are several explanations for the apparent downturn in demand. One is that in Britain the effects of the miners' strike and the high level of unemployment has reduced purchasing power. But this does not account, one would have thought, for a fall in the consumption of sausages, a cheap meat for hard times. It is possible the main cause is the concern over cholesterol in saturated fats, particularly beef. It seems that the fear of heart disease could well alter eating habits permanently.

The Meat and Livestock Commission (MLC) is very conscious of the situation and is looking for funds with which to promote meat consumption, possibly hy levying farmers, following its takeover of the functions of the Meat Promotion Executive. It claims that it needs money to counter the £5m allocated by the New Zealand Meat Producers Board to push its lamb.

Unless the Council of Ministers alters support arrangements for the lamb market, which includes a deficiency payment or premium, sheep farmers are protected for this year. There is a confidence in this sector which is reflected in a gradual rise in numbers and firm prices for hreeding stock. How justified thst confidence is remains to be seen. But the sheep regime is the target for attack from a variety of sources including British pig farmers.

These bad a pretty dreadful time in 1983-84, which caused a drop in the numbers of pigs marketed, and a consequent rise in prices. Until the end of December 1984 things were not at all bad, but since then, against all experience of previous movements in the pig cycle, prices have begun to fall although numbers being slaughtered bave hardly hegun to rise yet. One reason for this bas been an increase in the number of lambs slaughtered in the first quarter of 1985. This was due to the anomaly in the EEC sheepmeat regime which made it profitahle for farmars to hold their lambs until after the new year to catch higher prices. These lambs, born the previous March, were bigger than they would have heen in the autumn and the excess weight of meat undoubtedly put pressure on the market.

Pig farmers are benefiting from cheaper feeding stuffs prices, thera having been a fall in both cereals and proteins, the latter prices should fall further if the U.S. dollar weakens against sterling. Nevertheless there are signs thet numbers of sows are increasing again, and the MLC forecasts a weakening of prices in the autumn. This is contrary to what it was forecasting earlier and farmers are hoping that this forecast too is in error.

Market prices for beef are running below those of last year hut the price level is protected hy a premium limited to 8.74p a live weight kilo. This premium is also under attack from the Community, but as it is partly funded by the British Government it might be allowed to stay. The sheepmeat premium could be altered in the fairly near future to limit its expense as flocks rise. Farmers are also demanding that some limitation be put on New Zealand suppliers.

At present these have been running below their allowable quota, but thanks to a deal with the Bernard Matthews organisation there will be imports of up to 20,000 tonnes of lamb roast, boned out in New Zealand, the equivalent of 30,000 tonnes of carcase meat. This move is made to counter the lack of demand for lamb among the younger housewives who have never learned to carve. The cost of boning out is so high that the basic cost of the carcases must be very low. Only New Zealand, with an enormous surplus of lamh, can afford to discount prices to the extent desired. It is rumoured that the price for the lamb in carcase form for this deal is NZ$1 per kilo, 36p at present exchange rates.

This article concentrates on the British scene but the indications are that world wide effective commercial demand for red meat is slackening, and this is bound to affect the EEC's export plans. It is easy to foresee that beef and sheep will follow milk and cereals into Community crisis. So what do livestock farmers do now?

EEC backs anti-tsetse fly plan

BY A CORRESPONDENT

THE EEC is to hock the first stage of a controversial scheme to wipe out tsetse fly in Zimbabwe, Zamhla, Malawi and Mozambique, officials in Brussels said recently.

The estimated cost for the first phase, lasting three years, is 21.6m European Community Units (£13m), and involves the use of the chemical, Endosulfan. The decision to go ahead with the project follows e stormy debate between farmers and environmentalists, who are worried about possible harmful side-effects on wildlife.

The tsetse fly carries a parasite which infects cottle with a deadly disease called trypanosomiasis.

Infested areas have grown substantially since the mid-1970s, due to cuthacks in control measures and the independence wars in Mozambique and Zimbabwe. Around 322,000 square kilometres are infested, and the fly is spreading at o rate of 10 kilometres per year. Within the fly belt there are 655,000 head of cattle. Agricultural experts estimate 6.7m cattle could be raised if tsetse was cleared.

In Zimbabwe, cases of trypanosomiasis in cattle nearly tripled between 1980 and 1984. Since 1974 about 83,000 head of cattle bave died in the north east of the country—at a cost of $Z21.36m (£11m). Zimbabwe's Agriculture Minister, Senator Denis Norman, told e recent meeting that 20,000 people in Africa die every year from the disease.

The proposed scheme, planned to start in three months time, involves the aerial spraying of 20,600 sq kms with Endosulfan. The head of the EEC commission in Harare, Herr Gasped Dunkelsbuhler, said the risks of harmful environmental side-effects were small.

U.S. holds farming cuts at $5.5bn

A budget pockage approved last Friday by the U.S. Senate aims to reduce farm spending by $5.5bn during the next three years.

However, in e strong rebuff to Mr David Stockman, the U.S. Budget Director, who hlamed the farm crisis on "greedy farmers," the Senate restored $17.5bn in cuts which Mr Stockman had wanted between the fiscal years 1986 to 1988.

The Senote also approved e new export incentive programme, opposed by Mr John Block, Agriculture Secretary.

LONDON MARKETS

BASE METALS

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£889.90	−17	895/890.5
3 months	£909.5-10	−14.5	922/906

Official closing (am): Cash 890-1 (907-8) three months 9-10.5-11.5 (926-7) settlement 891 (908). Final Kerb close: 907-8. Turnover: 12,700 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	£1226-7	−41	1233/1223
Three m'nths	£1210-11	−18	1221/1207

Official closing (am): Cash 1227-8 (1274-5) three months 1208-9 (1231-2) settlement 1229 (1275). Final Kerb Close: 1211-12.

Cathodes			
Cash	£1201-05	−29.0	—
Three m'nths	£1197-99	−18	—

Official closing (am): Cash 1197-1202 (1234-6) three months 1193-8 (1218-8) settlement 1202 (1235). Turnover 35,170 tonnes. U.S. Producer prices 70.00/74.00 cents per lb.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£300-.5	−9.9	302/300.5
3 months	£303-.4	−9	307/302

Official closing (am): Cash 301-2 (302-3) three months 305-6 (305-6) settlement 302 (303). Final Kerb close: 302-3. Turnover 7,350 tonnes. U.S. Spot: 20.00/21.00 cents per lb.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£4430-40	−47.5	4435/4430
3 months	£4420-25	−50	4470/4410

Official closing (am): Cash 4,430-5 (4,490-5) three months 4,420-5 (4,470-80) settlement 4,436 (4,500). Final Kerb close: 4,410-20. Turnover 1,380 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	£9463-4	−114.5	—
3 months	£9449-52	−90	9466/9450

Official closing (am): Cash 9468-65 (9540-5) three months 9465-70 (9530-5) settlement 9465 (9545).

Standard			
Cash	£9462-4	−164.5	9470/9400
3 months	£9449-52	−97	9500/9430

Official closing (am): Cash 9458-60 (9540-5) three months 9443-5 (9520-1) settlement 9460 (9545). Final Kerb close: 9445-50. Turnover 2,800 tonnes. Straits tin $29.77m (29.70) kilo.

ZINC

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	£663-4	−17	—
3 months	£663-4	−15.25	671/660

Official closing (am): Cash 658-9 (687.5-88) three months 659-.5 (684-5) settlement 659 (688). Final Kerb close: 664-5. Turnover: 17,300 tonnes. U.S. Prime Western: 46.50/47.75 cents per lb.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	May 13 1985	+ or —	Month ago
Aluminium	£1100	....	£1100
Free Mkt	$1145/1175	....	$1130/150
Copper			
Cash h Grade	£1225.5	−41	£1203.5
3 mths	£1210.5	−18	£1200
Gold troy oz	$322.25	+7.75	$333
Lead Cash	£300.75	−0.25	£311
3 mths	£303.5	−2	£314
Nickel			
Free Mkt	244/274c	....	240/270c
Palladium oz	$113.75	+1.25	$110.50
Platinum oz	$279.00	+0.75	$301.25
Quicksilver†	$289/290	....	$280/290
Silver troy oz	506.70c	−3.55	528.50p
3 mths	521.80p	−3.45	541.85p
Tin cash	£9463	−104.5	£9657.0
3 mths	£9550.5	−97	£9647.5
Tungsten	$74.36	....	$77.70
Wolfram 22 04lb	$68/71	....	$74/78
Zinc	£663.0	−17	£710.0
3 mths	£605.0	−15.25	£699.5
Producers	$960	....	$960

OILS	May 13 1985	+ or —	Month ago
Coconut (Phil)	$745	....	$826
Palm Malayan	$630	....	$650
SEEDS			
Copra Phil	$450x	....	$500
Soyabean (U.S.)	$244.75	+0.15	$251.25
GRAINS			
Barley Fut. Sep	£99.80	−0.35	£98.45
Maize	£150.50	....	£151.5
Wheat Fut. July	£103.10	+0.15	£123.25
No. 2 Hard Wint.	‡	....	‡
OTHERS			
Cocoa Ft. July	£1856.5	−14	£1917.5
Coffee Ft. July	£2138	−28.0	£2071.0
Cotton A Index	65.40c	....	65.85c
Gas Oil July	$216	....	$230
Rubber (kilo)	69p	−1	69p
Sugar (raw)	$95x	+1	$108.5
Wooltops 64s	486p	....	485pkil

‡ Unquoted. x May-June. s June. † Per 76-lb flask. c Cents a pound.

INDICES

FINANCIAL TIMES

May 10	May 9	M'th ago	Year ago
295.39	294.90	290.47	313.34

(Base: July 1 1952 = 100)

REUTERS

May 10	May 9	M'th ago	Year ago
1808.0	1875.8	—	1989.3

(Base: September 18 1931 = 100)

MOODY'S

May 10	May 8	M'th ago	Year ago
922.5	918.9	950.1	1065.6

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	May 10	May 9	Month ago	Year ago
Spot	117.88	116.8	120.54	158.02
Fut.	122.43	101.77	124.25	140.23

(Base: December 31 1974 = 100)

GOLD

Cold closed near its high of the day, after rising sharply as the dollar lost ground on the foreign exchanges. At the London close the metal had gained $7½ to $322-322½. It opened at $317-317½, and touched a low of $316½-317. Gold was fixed at $316¾ in the morning, and was steady within a fairly narrow range until New York opened. At a longer than usual afternoon fixing it rose to $321, and touched a peak of $322¼-323¼. The upward trend was helped when the metal consolidated above resistance levels of around $320.

GOLD BULLION (fine ounce) May 13

Close	$322-322½	(£207½-258)
Opening	$317-317½	(£255¼-250¾)
M'n'g fix.	$316.70	(£255.094)
Aft'n'n fix.	$321.00	(£250.981)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$330-332	(£262-264)
½ Krug.	$109¼-170¼	(£154¼-135¼)
¼ Krug.	$86-87	(£68¼-89)
1/10 Krug.	$44¼-35¼	(£27½-28½)
Mapleleaf	$330¼-335¼	(£262¼-264¼)
New Sov.	$75-78½	(£59¼-61¼)
½ New Sov	$40¼-47¼	(£38-38)
Old Sov.	$77-78½	(£61½-62¼)
$20 Eagle	$440-480	(£349¼-381)
Noble Plat	$285-288¼	(£228¼-231)

SILVER

Silver was fixed 3.55p an ounce lower for spot delivery in the London bullion market yesterday at 506.75p. U.S. cent equivalents of the fixing levels were: spot 635.5c, up 8.3c; three-month 647.75c, up 6.5c; six-month 662.1c, up 7.1c; and 12-month 691.95c, up 7.25c. The metal opened at 512-515p (638-639c) and closed at 518-521p (648-651c).

SILVER per troy oz	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	506.75p	−3.55	519.45p	+8.85
3 months	521.90p	−3.45	535p	+8.5
6 months	537.60p	−3.35	—	—
12 months	566.50p	−3.35	—	—

LME—Turnover: 105 (90) lots of 10,000 oz.

Three months high 534.5, low 534, final kerb 534.5.

Turnover: 688 (994) lots of 100 tonnes.

FREIGHT FUTURES

The market opened easier, based on reports of a physical fixture for Gulf/Continent at $10.25. Trade selling took levels lower over the morning, with October futures losing over 10 points from last week's close. The easier tone was carried through into the afternoon but trade short-covering in July brought closing prices off the lows, reports Clarkson Wolff.

	Close	High/Low	Prev.
July	930/935	935/927	940/940
Oct.	977/979	987/970	994/996.5
Jan.	964/968	974/987	985/986
April	1050/1070	—	1070/1085
July	1055/1070	985/970	991/999
Oct.	1050/1080	—	1085/1099
Jan.	1150/1185	—	1150/1200
April	1200/1225	—	1210/1250

Turnover: 216 (153).

GRAINS

Old crops remained quiet and saw a limited rise in otherwise dull trading. New crop wheat remained in a narrow range 35-45p down after Friday's rally but was quiet ahead of the EEC farm ministers meeting in Brussels, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterd'ys close	+ or —
May	120.00	+0.10	114.80	—
July	123.10	+0.15	—	—
Sept.	100.00	−0.45	99.80	−0.80
Nov	103.20	−0.40	100.65	−0.80
Jan	106.80	−0.40	106.95	−0.80
Mar	110.00	−0.35	109.95	−0.80

Business done—Wheat: May untraded, July 123.10-2.95, Sept 100.00 only, Nov 103.25-2.15, Jan 106.80 only, Mar untraded. Sales: 124 lots of 100 tonnes. Barley: May 114.90 only, Sept 99.25-8.20, Nov 102.65 only, Jan 106.25 only, Mar untraded. Sales: 24 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 15 per cent July 150.50, Aug 148.50, Sept 148, Oct 148, Nov 152, Dec 152.85 sellers transhipment East Coast. U.S. No. 2 Soft Red Winter June 135.75, July 130.30, Aug 133.30, Sept. 135.25, Oct 137.20 sellers. EC Harvest 115 quoted. English Feed fob May 123.75 paid Ipswich, May 124 paid Colchester, Sept. 101, Oct 104, Oct/Dec 107 sellers East Coast. Maize: U.S. No. 3 Yellow/French transhipment East Coast May 150.50. Barley: English Feed fob July/Aug 99.50, Oct/Dec 106.25 sellers East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 112.50, E. Mids 112.90, Scotland 110.90. The UK monetary coefficient for the week beginning Monday, May 20 (based on HGCA calculations using four days' exchange rates), is expected to remain unchanged.

RUBBER

PHYSICALS—The London market opened slightly easier, attracted some covering interest throughout the day and closed on a slightly steadier note, reports Lewis and Peat. Closing prices (buyers) spot 65.00p (66.00p); June 68.00p (68.50p); July 68.50p (68.00p). The Kuala Lumpur fob price for RSS No 1 was 192.0 cents a kg and for SMR 20 was 181.0.

COFFEE

During a quiet morning prices remained under pressure from steadier sterling, reports Drexel Burnham Lambert. Prices recovered £10 but losses in New York prompted a return to the lows.

COFFEE	Yesterd'ys Close	+ or —	Business Done
May	2091-80	−12.0	2105-88
July	2138-40	−28.5	2199-33
Sept.	2176-77	−28.5	2201-70
Nov.	2208-10	−30.0	2239-01
Jan	2030-35	−25.0	2256-25
March	2211-12	−24.5	2230-30
May	2189-01	−30.0	2200

Sales: 1,752 (1,355) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for May 10: Comp. daily 1979 131.94 (131.36): 15-day average 132.12 (132.09).

COCOA

Futures opened steadier than expected and maintained those levels until easing towards the close, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
May	1820-1837	−7.5	1854-1820
July	1850-1600	−14.0	1870-1855
Sept.	1838-1858	−7.0	1848-1867
Dec.	1787-1789	−11.0	1787-1787
Mar.	1790-1795	−4.0	1794-1188
May	1800-1805	−10.5	1805 —
July	1801-1818	−10.0	—

Sales: 2,092 (3,512) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily price for May 13: 99.78 (98.05); five-day average for May 14: 97.15 (96.27).

SUGAR

LONDON DAILY PRICE—Raw sugar $95.00 (£68.50), up $1.00 (same) a tonne for May-June delivery. White sugar $129.00, unchanged.

The market opened around one-week-end levels but news that Colombia had failed to sell the June cargo at Friday's tender stimulated long liquidation and prices fell to new life-of-contract lows before some profit-taking on the close lifted prices slightly, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	97.8-97.4	95.6-95.9	97.2-92.0
Oct	100.4-100.6	99.6-99.8	101.8-98.0
Dec	106.0-107.0	104.6-100.0	100.2-105.8
Mar	118.0-118.2	115.8-116.0	122.2-119.6
May	122.0-122.6	121.0-122.0	127.6-125.0
Aug	127.2-128.8	126.0-127.0	132.0-131.4
Oct	132.0-134.8	151.0-155.1	—

Sales: 1,893 (1,069) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £175.00 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for May 10: Daily price 2.71 (2.86): 15-day average 2.90 (3.00).

SOYABEAN MEAL

The market opened £1.00 down on stronger sterling, reports T. G. Roddick. Prices remained on the defensive throughout the day.

	Yesterday close £ per tonne	+ or —	Business Done
June	124.00-126.3	—	—
August	122.00-122.2	−1.60	—
October	124.10-124.5	−1.50	122.40-122.0
Dec.	128.80-128.0	−0.08	125.00-124.5
Feb.	133.88-133.8	−0.85	129.00-128.0
Apr.	134.59-135.0	−1.00	134.80-135.8
June	134.00-136.0	—	—

Sales: 128 (83) lots of 20 tonnes.

OIL

There was little trade in the directionless crude market. The Nymex opened 8c down but was trading 12c up by noon EST. In the petroleum products market gas-oil prices remained stable. Heavy fuel prices stabilised after three weeks of declining values, with some demand for high sulphur fuel in the Mediterranean — Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)— June		
Arab Light	27.00-27.10	+0.05
Arab Heavy	25.50-25.60	−0.20
Dubai	25.75-25.85	+0.075
Brent Blend	26.60-26.80*	−0.10
W.T.I. (1pm est)	27.35-27.45	−0.30
Forcados (Nigeria)	26.70-27.00*	−0.10
Urals (cif Med)	25.80-25.90*	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	284-285	—
Gas Oil	215-217	—
Heavy fuel oil	131-132	—

* May

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
June	215.00	+0.75	216.25-15.75
July	215.00	—	215.25-15.00
Aug	216.00	−0.75	218.80-14.50
Sep	219.00	−0.75	219.00-17.00
Oct	201.00	+1.80	—
Nov	203.00	+1.75	—

POTATOES

Short-covering again lifted old crop May sharply. This appears purely technical as the physical market remains dull. How crops dropped following indications that plantings were virtually complete, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
May	93.50	86.80	94.00-87.80
Nov	66.10	65.60	65.50-64.80
Feb	73.50	70.00	74.00
Apr	87.10	89.70	88.20-87.80
May	93.00	96.50	94.00-95.80

Sales: 422 (174) lots of 40 tonnes.

PIGMEAT

Prices closed on a slightly firmer note due to short-covering and steadier physicals with the main strength being in the spot June position, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
June	106.60	105.90	106.60-106.00
Aug	101.70	101.50	101.80-101.70
Oct	106.90	106.60	106.90-106.80
Nov	107.10	107.40	107.70-107.20
Feb	90.70	100.00	—
April	100.50	100.20	—

Sales: 95 (122) lots of 50 carcases, 3,250 kg.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 100.10p per kg lw (+2.34). GB—Sheep 227.91p per kg est dcw (−12.43). GB—Pigs 81.66p per kg lw (+1.54).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 77.0 to 81.0. English hindquarters 98.0 to 102.0, forequarters 50.0 to 54.0. Veal: Dutch hinds and ends 137.0 to 141.0. Lamb: English small (new season) 100.0 to 110.0, medium (new season) 102.0 to 108.0, heavy (new season) 100.0 to 105.0. Imported: New Zealand PL (new season) 67.0 to 68.0, PX (new season) 65.0 to 66.0. Pork: English under 100 lb 49.0 to 58.5, 100-120 lb 51.0 to 56.5, 120-160 lb 42.0 to 48.0.

U.S. MARKETS

HEATING OIL rose moderately on rumours that Saudi Arabia was cutting its production; trading was light and the market lacked fresh news of any substance, reports Heinold Commodities. Wheat traded unchanged to slightly higher as heavy rains in the South West threatened the approaching harvest. Maize came under pressure in new crop months as Friday's supply/demand balance sheet indicated a major build-up in carry-over stocks for next September. Soyabeans lost ground on government estimates of lower export prospects and much higher carry-over stocks next year; both oil and meal retreated sharply with oil displaying serious technical weakness. The precious metals moved sharply higher on short-covering and fresh buying reflecting concern over the failure of one Maryland savings and loan company and expectations that the Federal Reserve Board will continue to pursue a modest easing in interest rates. Copper and aluminium were under pressure reflecting a build-up in exchange stocks in London. Sugar recouped early losses to close higher on buying related to an oversold condition. Cocoa was mixed with the deferred positions benefiting from the unwinding of bull spreads. Coffee weakened on indication of adequate nearby supplies. Cotton was lower in response to forecasts of a build-up in world stocks during 1985-86.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
May	48.70	48.85	48.85	49.15
June	49.00	—	—	49.45
July	49.35	49.75	49.30	49.80
Sept	50.10	50.50	50.35	50.60
Dec	51.25	51.55	51.50	51.75
Jan	51.65	—	—	52.10
March	52.40	—	—	52.9
May	53.20	—	—	53.75
July	54.00	—	—	54.55
Sept	54.80	—	—	55.35

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
May	2438	2470	2350	2464
July	2171	2174	2148	2145
Sept	2134	2137	2102	2094
Dec	2097	2099	2055	2046
March	2100	2100	2073	2055
May	2100	—	—	2045
July	2100	—	—	2045

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
May	64.10	64.50	54.10	64.70
June	64.40	—	—	65.68
July	64.85	65.65	64.75	65.80
Sept	65.45	66.25	65.45	66.00
Dec	66.10	66.70	66.05	66.50
Jan	66.30	—	—	66.70
March	66.70	67.00	66.85	67.05
May	67.10	67.80	67.10	67.45
July	67.50	68.10	68.10	67.80
Sept	67.95	68.20	68.20	68.15

COFFEE "C" 37,000 lbs, cents/lb

	Close	High	Low	Prev
May	144.18	44.65	44.00	44.90
July	144.42	44.86	43.90	44.86
Sept	144.90	45.36	44.35	45.27
Dec	144.13	44.75	44.06	44.79
March	143.63	43.95	43.95	44.15
May	142.75	—	—	43.01
July	140.50	—	—	42.01

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	65.33	65.95	65.26	65.75
Oct	64.40	64.50	64.34	64.43
Dec	64.44	64.55	64.35	64.45
March	65.64	65.66	65.50	65.68
May	66.22	66.36	66.35	66.26
July	66.65	66.70	66.60	66.54

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
June	27.56	27.56	27.32	27.38
July	26.97	26.97	26.68	26.78
August	26.62	26.63	26.30	26.44
Sept	26.53	26.53	26.23	26.38
Oct	26.44	26.44	26.24	26.37
Nov	26.45	26.42	26.22	26.37
Dec	26.40	26.40	26.22	26.37
Jan	26.40	—	—	26.37
Feb	26.40	—	—	26.37
March	26.40	—	—	26.37

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
May	324.3	325.0	316.1	316.1
June	326.3	328.0	318.0	317.0
July	328.3	328.5	328.5	319.5
August	330.3	332.5	321.9	321.4
Oct	334.5	336.0	326.0	325.5
Dec	339.2	342.0	331.0	330.1
Feb	344.2	345.0	336.0	335.0
April	348.2	348.0	348.0	339.0
June	354.5	—	—	345.2
August	360.2	—	—	350.5
Oct	366.0	—	—	356.3
Dec	372.9	371.0	367.0	362.1
Feb	378.4	—	—	368.3

HEATING OIL 42,000 US gallons, cents/US gallon

	Latest	High	Low	Prev
June	70.85	70.90	70.00	70.27
July	69.90	69.95	69.00	69.37
August	70.30	70.30	69.70	69.97
Sept	71.80	71.10	70.90	70.90
Oct	71.80	71.75	71.70	71.70
Nov	72.50	—	—	72.60

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
May	155.95	56.30	55.40	55.30
Sept	150.95	51.25	50.95	50.35
Nov	149.20	49.50	49.00	49.90
Jan	148.95	49.00	49.00	48.85
March	148.95	49.00	49.00	48.85
May	148.95	—	—	48.85
July	148.95	—	—	48.85

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
May	284.1	—	—	273.3
June	225.0	274.0	274.0	274.2
July	286.7	287.0	276.2	275.9
Oct	292.0	292.5	281.0	280.8
Jan	297.8	296.5	287.6	286.5
April	303.8	301.5	293.5	292.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
May	660.3	662.0	637.5	634.9
June	663.0	641.0	641.0	637.6
July	667.0	668.0	640.0	641.5
Sept	676.1	678.0	650.0	650.4
Dec	690.6	691.0	663.0	664.4
Jan	696.9	—	—	669.6
March	705.8	696.0	681.0	679.4
May	715.5	711.0	711.0	689.9
July	728.4	—	—	701.1
Sept	740.8	—	—	713.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	3.13	3.15	2.92	3.07
Sept	3.27	3.26	3.10	3.21
Oct	3.40	3.41	3.17	3.32
Jan	3.70	3.65	3.60	3.67
March	4.21	4.21	3.90	4.12
May	4.39	4.40	4.20	4.35
July	4.57	4.57	4.45	4.54
Sept	4.77	—	—	4.74
Oct	5.00	4.90	4.77	4.83

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	62.62	63.32	62.56	63.32
August	63.72	64.25	63.60	64.10
Oct	62.52	62.80	62.42	62.62
Dec	63.80	64.00	63.70	64.00
Feb	64.60	64.70	64.25	64.70
April	65.50	65.50	65.70	65.70

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
June	46.50	46.95	46.30	46.82
July	48.57	49.05	48.42	48.95
August	48.47	48.90	48.27	48.70
Oct	45.80	46.40	45.75	46.17
Dec	45.95	47.25	46.70	47.30
Feb	48.07	48.56	47.87	48.30
April	45.02	46.67	44.70	45.60
June	47.47	47.70	47.40	47.80
July	48.95	48.95	48.95	48.95

MAIZE 5,000 bu min, cents/56lb bushel

	Close	High	Low	Prev
May	282.	282.2	280.4	282.0
July	279.0	279.4	278.2	279.0
Sept	268.4	269.0	267.5	269.4
Dec	264.8	265.0	263.4	266.0
March	272.2	273.4	272.0	274.2
May	277.4	278.0	277.2	279.4
July	279.0	279.2	279.0	280.9

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
May	60.25	62.30	60.25	62.25
July	61.80	63.90	61.90	63.80
August	61.07	63.30	61.07	63.07
Feb	68.62	70.75	68.60	70.55
March	86.37	70.10	68.37	70.37
May	70.80	72.00	70.00	72.00
July	70.30	70.30	70.30	72.00

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	584.6	589.0	582.8	590.2
July	583.4	587.4	580.4	589.5
August	583.3	588.0	581.2	591.2
Sept	583.2	589.0	581.0	591.0
Nov	589.4	597.0	588.0	598.8
Jan	600.0	605.0	597.0	608.2
March	610.2	610.4	606.4	620.0
May	617.4	618.0	615.0	628.0
July	623.0	625.0	620.4	633.4

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
May	31.62	32.00	31.40	31.95
July	30.12	30.45	29.88	30.48
August	29.16	29.55	26.00	29.57
Sept	28.40	28.75	28.25	28.77
Oct	27.45	27.95	27.40	27.90
Dec	26.77	27.10	26.55	27.12
Jan	26.33	26.70	26.25	26.78
March	26.15	26.52	26.10	26.60
May	25.55	—	—	26.30

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
May	123.0	124.0	122.0	124.2
July	127.5	129.1	126.5	128.8
August	130.5	131.8	126.0	131.0
Sept	133.6	134.7	132.5	134.5
Oct	136.2	137.5	135.2	137.4
Dec	141.4	142.8	140.3	142.8
Jan	143.5	145.8	143.5	145.9
March	148.7	151.0	148.5	149.5
May	153.8	—	—	154.3
July	159.0	159.0	159.0	159.2

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	348.0	348.4	346.0	345.5
July	325.0	325.4	322.2	324.0
Sept	325.2	326.0	323.4	325.4
Dec	335.8	336.0	333.4	334.6
March	340.0	340.0	338.0	339.4
May	331.4	331.4	331.0	333.4

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 620.0, 627.0, nil; July 633.0, 639.0, 635.0; Oct 621.0, 625.0, 622.0-621.0; Dec 622.0, 624.0, 623.0-621.0; Mar 626.0, 630.0, 629.0-628.0; May 636.0, 640.0, 636.0; July 636.0, 645.0, nil; Oct 625.0, 648.0, nil. Sales: 99.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. May 512, 514, 513; Aug 536, 538, 537-536; Oct 534, 537, 536; Dec 535, 537, 536; Jan 536, 538, 537-536; Mar 546, 548, 547; May 552, 554, 553; Aug 568, 568, nil; Oct 564, 568, nil. Sales: 28.

PARIS

SUGAR—(FFr per tonne): Aug 1235-1240, Oct 1245-1247, Dec 1280-1290, March 1320-1330, May 1370-1385, Aug 1430-1455.

COCOA—(FFr per 100 kg): May 2157-2164, July 2170 bid, Sept 2139.50-2145, Dec 2060-2070, March 2060-2075, May 2075 bid, July 2075 bid.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 168 tonnes. Moderate sales were reported in West African and Colombian growths.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Nervous ahead of figures

Nervousness continued to surround the dollar yesterday and the U.S. currency fell below another technical resistance point at DM 3.08. Comments by Mr Paul Volcker, chairman of the Federal Reserve Board, at a meeting of bankers in Washington, came too late to influence the London market but had little initial impact on New York trading. He spoke of problems concerning international debt, the U.S. budget deficit, and also said high interest rates were a matter of concern. Federal funds were steady at 8¼ per cent, probably within the Fed's current target range, but there was increased speculation that U.S. interest rates will fall and that a cut in the U.S. discount rate may not be far off. The focus of attention today will be retail sales figures for April and a possible indication about the rate of U.S. economic growth, after a disappointing first quarter.

Forecasters are expecting a rise in retail sales of around 1 per cent, but the March fall of 1.9 per cent was not generally anticipated, and was a factor behind the dollar's weakness last month.

Trading is likely to remain nervous ahead of the new figures, and the doubts about economic growth and interest rate trends combined yesterday to push the dollar down to DM 3.0725 from DM 3.1185; FFr 9.37 from FFr 9.51; SwFr 2.5825 from SwFr 2.6295; and Y251.30 from Y252.50.

On Bank of England figures the dollar's index fell to 145.9 from 146.9.

STERLING — Trading range against the dollar in 1985 is 1.2940 to 1.0525. April average 1.2414. Exchange rate index rose 0.5 to 78.6, the highest level of the day. It opened 0.1 lower at 78.0, the day's low.

Sterling at times moved ahead of Continental currencies against the weak dollar, but finished little changed against the D-mark led EMS block. The pound closed near the day's peak against the dollar, gaining 2 cents to $1.2535-$1.2545, as high London interest rates continued to offset any fear of lower oil prices. Sterling ended unchanged at DM 3.8525 and FFr 11.74, but fell to SwFr 3.24 and rose to Y315 from Y312.

D-MARK — Trading range against the dollar in 1985 is 3.4519 to 2.9730. April average 3.0856. Exchange rate index 121.7 against 122.9 six months ago.

The D-mark gained ground against the dollar in nervous trading. The dollar fell to DM 3.08 in Frankfurt from DM 3.1165 on Friday. It also opened at DM 3.08 and was fixed at DM 3.0840 compared with DM 3.1286, without any intervention by the Bundesbank. Expectations of easier U.S. interest rates undermined the dollar, while today attention will turn to U.S. April retail sales figures. A fall of 3.2 per cent in West German March retail sales had little impact.

£ IN NEW YORK

	May 18	prev. close
£ Spot	21,2530-1.2540	$1,9020-1,2440
1 month	0.90-0.46pm	0.47-0.46pm
3 months	1.31-1.970m	1.31-1,28pm
12 months	5,25-3,10pm	5,32-3,65em

Forward premiums and discounts apply to the U.S. dollar

STERLING INDEX

	May 13	Previous
8.30 am	78.0	77.9
9.00 am	78.2	78.0
10.00 am	78.1	77.9
11.00 am	78.2	78.0
Noon	78.4	77.9
1.00 pm	78.4	77.8
2.00 pm	78.4	77.8
3.00 pm	78.3	78.1
4.00 pm	78.6	78.1

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.0451	+0.32	+0.42	±1.5471
Danish Krone	0.14104	8.04683	−1.18	−1.08	±1.6412
German D-Mark	2.24164	2.23846	−0.19	−0.05	±1.1475
French Franc	6.87456	6.82902	−5.66	−0.56	±1.3669
Dutch Guilder	2.52595	2.52857	+0.10	+0.20	±1.3171
Irish Punt	0.72569	0.714746	−1.15	−1.41	±1.6673
Italian Lira	1403.49	1428.58	+1.79	+1.79	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

DOLLAR SPOT—FORWARD AGAINST DOLLAR

OTHER CURRENCIES

CURRENCY MOVEMENTS

CURRENCY RATES

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Asian $ (closing rates in Singapore): Short-term 8¼-8⅜ per cent; seven days 8⅛-8¼ per cent; one month 8⅛-8¼ per cent; three months 9⅛-8⅞ per cent; six months 8⅞-8⅞ per cent; one year 9⅛-9⅛ per cent. Long-term Eurodollars: two years 10⅛-10⅜ per cent; three years 10⅝-10⅞ per cent; four years 11-11¼ per cent; five years 11⅝-11½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Firmer trend

Prices were mostly firmer in the London International Financial Futures Exchange yesterday. Treasury bonds opened in line with late Chicago prices and met good two way business to be confined to a fairly narrow range during the morning. Early Chicago participation tested the high side of the day's range although this prompted some profit taking by holders of long positions. Nevertheless contracts found renewed support at the lower levels, with an opening Federal funds rate of 8½ per cent provoking a mixed response.

Euro-dollars showed little overall change on the day and after opening at 91.49 for June delivery, rose on small business to 91.50. Most of the morning's trading was seen between 91.48 and 91.50. Values were marked down after the start of Chicago but prices in London were held, opening differentials slightly and suggesting that with an early switch into September, the market held little hopes of any significant fluctuation in values before June maturity.

Short sterling values were firmer in reaction to sterling's better trend while Gilt prices improved, also helped by the pound's rise.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	91.48	91.50	81.46	91.49
Sept	90.83	90.84	90.80	90.84
Dec	90.36	90.36	90.34	90.35
March	89.98	89.98	89.66	86.97
June	88.67	—	—	89.66

Est volume 2,358 (3,684)
Previous day's open int 18,456 (18,722)

U.S. TREASURY BONDS 9% $100,000 32nds of 100%

	Close	High	Low	Prev
June	72.31	73-03	72-24	72-25
Sept	71-29	71-30	71-25	71-23

Est volume 1,699 (2,403)
Previous day's open int 2,463 (2,868)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	132.70	132.85	131.30	130.75
Sept	133.25	133.25	132.55	131.35

Est volume 668 (96)
Previous day's open int 1,235 (1,292)

MONEY MARKETS

Sterling's strength underpins better tone

Interest rates were slightly easier where changed in London yesterday in rather dull trading. While hopes of lower U.S. rates and sterling's impressive performance against the dollar encouraged thoughts of lower rates, the market seemed more ready to wait for some further indication of an improvement in money supply and UK economic data in general before manifesting its bullish undertone through significantly lower rates. Three-month interbank money was quoted at 12⅝-12⅝ per cent compared with 12⅔-12¾ per cent while three-month eligible bank bills remain just above official intervention rates at 12⅔-12⅜ per cent. Overnight interbank money touched 12⅞ per cent before easing to 8 per cent and finished nearer 10 per cent.

UK clearing banks base lending rate 12¼-12½ per cent since April 19

The Bank of England forecast a shortage of around £800m with factors affecting the market including maturing assistance and a take-up of Treasury bills together draining £475m and the unwinding of previous sale and repurchase agreements a further £673m. Exchequer transactions accounted for £30m. These were partly offset by a fall in the note circulation of £335m and banks balances brought forward £50m above target.

To help alleviate the shortage the Bank offered an early round of assistance which totalled £372m and comprised purchases of £73m of eligible bank bills in band 1 (up to 14 days) at 12⅜ per cent and in band 2 (15-33 days) £15m of Treasury bills and £54m of eligible bank bills all at 12½ per cent. In band 3 (34-63 days) it bought £147m of eligible bank bills at 12⅛ per cent and in band 4 (64-91 days) £2m of local authority bills and £81m of eligible bank bills all at 12 per cent.

The forecast was later revised to a shortage of around £850m without taking into account the early help and the Bank gave additional assistance in the morning of £410m. This comprised purchases of £89m of eligible bank bills in band 1 at 12¾ per cent, £98m in band 2 at 12½ per cent, £168m in band 3 at 12⅛ per cent and £55m in band 4 at 12 per cent.

In the afternoon the Bank gave further help of £10m through purchases of eligible bank bills in band 3 at 12⅛ per cent. It also provided late assistance of £55m, making a total of £847m.

MONEY RATES

May 13	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.60	10⅛	1¼-1⅝	6⅛-6⅛	6.96875	15-15⅜	5.60	19⅜-19⅝
One month	5.7-5.8	10⅛-10⅞	4⅛-4⅝	6⅛-6⅜	6.28126	14⅜-14⅞	9⅛-9¼	18⅝-19⅞
Two months	5.70-6.85	10⅛-10⅞	—	—	—	—	—	18⅛-12¾
Three months	5.75-6.20	10⅛-10¼	4⅞-5⅛	6⅛-6⅛	0.34975	15-16⅜	8¼-8⅜	19⅛-18⅝
Six months	6.85-6.00	10¼-10⅜	—	6⅞-7	—	—	9¼-9⅛	18⅝-1⅞
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

FT LONDON INTERBANK FIXING

(11.00 a.m. May 13)

3 months U.S. dollars

bid 8 5/16 — offer 8 5/16

6 months U.S. dollars

bid 8 1/2 — offer 8 5/8

MONEY RATES

NEW YORK (Lunchtime)

Treasury Bills

Treasury Bonds

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 13, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 42

Indices

NEW YORK-DOW JONES

	May 13	May 10	May 9	May 8	May 7	May 6	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,274.73*	1,274.18	1,268.38	1,249.78	1,252.78	1,247.79	1299.36 (1/3)	1184.96 (4/1)	1299.36 (1/3/85)	41.22 (2/7/32)
Transport	617.14*	617.83	604.30	594.98	588.46	587.38	635.39 (1/3)	553.03 (4/1)	635.38 (1/3/85)	12.32 (8/7/32)
Utilities	158.85*	159.73	159.11	157.83	157.87	155.47	159.73 (8/5)	146.54 (4/1)	163.72 (20/4/69)	10.5 (28/4/42)
Trading vol		149.2m	140.2m	101.3m	100.1m	85.9m	–	–	–	–

	Apr 26	Apr 16	Apr 12	Year Ago (Approx)
Ind Div Yield %	4.79	4.82	4.82	4.72

STANDARD AND POORS

	May 13	May 10	May 9	May 8	May 7	May 6	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	204.28*	202.85	201.45	200.02	200.44	199.63	205.15 (1/3)	182.24 (4/1)	205.15 (1/3/85)	3.52 (30/6/32)
Composite	184.52*	184.28	181.92	180.82	180.76	179.99	183.43 (25/4)	163.68 (4/1)	183.35 (13/2/85)	4.40 (1/6/32)

	May 1	April 24	April 17	Year Ago (Approx)
Ind div yield %	3.93	3.84	3.85	3.93
Ind. P/E Ratio	11.28	11.28	11.27	12.42
Long Gov Bond Yield	11.33	11.33	11.28	12.84

N.Y.S.E. ALL COMMON

May 13	May 10	May 9	May 6	1985 High	1985 Low
106.77*	106.64	105.31	104.58	106.64 (10/5)	94.60 (4/1)

RISES AND FALLS

	May 10	May 9	May 8
Issues traded	1,980	1,992	1,978
Rises	1,226	1,063	740
Falls	384	475	757
Unchanged	370	454	482

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
Pan Am Corp	1,487,300	5⅝	unch
IBM	1,080,800	130⅛	+ ½
ATT	842,800	22⅛	unch
ATL Rich	804,800	xd 60⅛	− 1½
Exxon	775,800	50½	+ ½
Warner Com	752,800	28	− ⅜
Bristol MY	721,800	59⅛	+ ⅝
Jac Edward	611,800	22⅜	− ⅛

Advances 958 Declines 557

TORONTO

	May 10	May 9	May 8	May 7	1985 High	1985 Low
Metals & Minerals	1956.5	1970.8	1924.5	1922.8	9190.07 (18/2)	1896.0 (4/1)
Composite	2664.1	2615.5	2602.7	2615.4	2669.8 (25/4)	2348.5 (8/1)
MONTREAL Portfolio	128.70	128.75	127.85	126.85	162.77 (9/3)	117.00 (4/1)

	May 13	May 10	May 9	May 8	1985 High	1985 Low
AUSTRALIA All ord. (1/1/80)	892.7	884.8	888.8	889.9	892.7 (13/5)	715.3 (7/1)
Metals & Mins. (1/1/80)	578.2	583.5	578.4	589.8	575.2 (24/4)	462.5 (7/1)
AUSTRIA Credit Aktien (2/1/62)	94.70	95.30	94.85	92.71	95.38 (10/5)	58.21 (24/1)
BELGIUM Brussels SE (1/1/80)	2253.87	2220.46	2218.56	2186.17	2518.85 (15/5)	2080.7 (16/1)
DENMARK Copenhagen SE (3/1/83)	186.22	186.84	187.02	186.25	192.79 (24/4)	158.44 (8/1)
FRANCE CAC General (31/12/82)	220.2	218.20	217.40	(c)	220.2 (13/5)	188.9 (3/1)
Ind Tendance (28/12/84)	121.4	119.70	119.10	(c)	121.4 (13/5)	100.1 (3/1)
GERMANY FAZ Aktien (31/12/58)	428.11	426.34	425.88	424.75	428.11 (13/5)	382.30 (8/1)
Commerzbank (1/12/53)	1251.2	1244.58	1,244.5	1248.40	1251.2 (13/5)	1111.8 (8/1)
HONG KONG Hang Seng Bank (31/7/64)	1628.29	1618.50	1,610.08	1621.45	1628.29 (13/5)	1229.74 (2/1)
ITALY Banca Comm Ital. (1972)	294.47	288.02	285.68	281.26	294.47 (13/5)	228.56 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	12541.5	12527.8	12474.5	12521.2	12585.3 (5/4)	11546.2 (5/1)
Tokyo SE New (4/1/68)	981.66	979.48	961.87	968.57	1006.36 (22/3)	918.95 (4/1)
NETHERLANDS ANP-CBS General (1970)	206.1	209.1	206.7	211.9	215.0 (6/5)	186.8 (3/1)
ANP-CBS Indust (1970)	171.6	172.5	172.1	175.1	175.2 (7/5)	147.9 (3/1)
NORWAY Oslo SE (4/1/83)	334.48	332.56	331.46	330.28	345.8 (9/2)	290.18 (2/1)
SINGAPORE Straits Times (1966)	801.84	790.12	791.79	790.55	862.65 (7/3)	764.39 (16/1)
SOUTH AFRICA JSE Gold (28/9/78)	—	1080.1	1067.2	1051.7	1149.8 (15/4)	856.1 (11/2)
JSE Indust (28/9/78)	—	811.6	806.6	895.6	811.3 (10/5)	762.1 (7/3)
SPAIN Madrid SE (28/12/84)	111.26	111.17	111.36	110.48	117.41 (4/2)	101.48 (2/1)
SWEDEN Jacobson & P (11/58)	1424.75	1458.35	1,455.41	1449.58	1486.90 (11/2)	1261.30 (2/1)
SWITZERLAND SwissBank Cpn. (31/12/58)	433.6	432.6	429.7	428.4	433.6 (13/5)	386.7 (3/1)
WORLD Capital Intl. (1/1/70)	—	206.1	204.8	202.7	208.1 (19/3)	184.8 (4/1)

** Saturday May 11: Japan Nikkei-Dow (c). TSE (c).

Base value of all Indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.